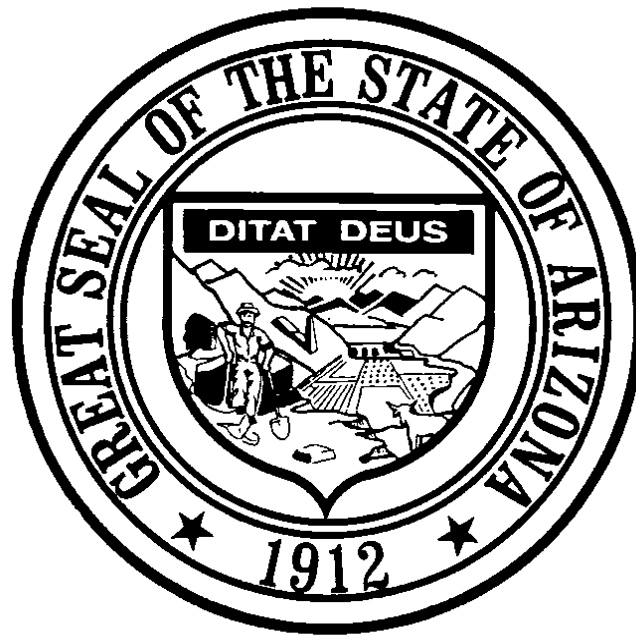


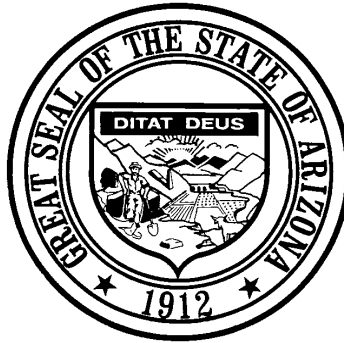
STATE OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2009



Janice K. Brewer
GOVERNOR



**PREPARED BY
ARIZONA DEPARTMENT OF ADMINISTRATION
FINANCIAL SERVICES DIVISION
GENERAL ACCOUNTING OFFICE**



STATE OF ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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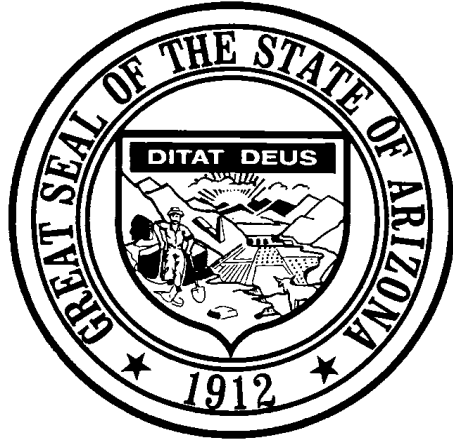
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INTRODUCTORY SECTION



JANICE K. BREWER
GOVERNOR

DAVID RABER
INTERIM DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION
OFFICE OF THE DIRECTOR
100 NORTH 15th AVENUE • SUITE 401
PHOENIX, ARIZONA 85007
(602) 542-1500

May 7, 2010

The Honorable Janice K. Brewer,
Governor of the State of Arizona;
Members of the Legislature;
Rebecca White Berch, Chief Justice of the Supreme Court;
and Citizens and Taxpayers of the State of Arizona

Ladies and Gentlemen:

It is our pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 2009. Responsibility for the accuracy of data, as well as the completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, is accurate in all material respects and is reported in a manner which fairly presents the financial position and results of operations of the major and non-major funds of the State. All disclosures needed for the reader to gain a reasonable understanding of the State's financial activities have been included.

U.S. generally accepted accounting principles (GAAP) require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Independent Auditors' Report.

INTERNAL CONTROLS

The State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. GAAP. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. In the opinion of management, the State's internal controls are adequate to provide reasonable assurance that these objectives are met.

INDEPENDENT AUDIT

In compliance with State statute, an annual financial audit of the State Entity is completed each year by the State of Arizona, Office of the Auditor General in conjunction with other audit firms. Their audit was conducted in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Their report on the basic financial statements has been included in the financial section of this report. In addition, ARS §41-1279.03 requires at least a biennial single audit by the Office of the Auditor General. The Single Audit will be issued as a separate report at a later date.

PROFILE OF THE GOVERNMENT

The State of Arizona was admitted to the Union as the 48th state in 1912. Arizona is the sixth largest state, with 113,998 square miles. Arizona is known for the Grand Canyon, one of the Seven Wonders of the World, and its cacti and other desert landscape. A number of national forests, four national parks, eighteen national monuments, and over 20 million acres of Native American reservations and tribal communities are located in Arizona.

The State has three branches of government: Executive, Legislative, and Judicial. The Executive branch is headed by a governor elected for a four-year term. Arizona's Legislative branch is bicameral, consisting of a thirty-member Senate and a sixty-member House of Representatives. Legislators are elected for two-year terms. The Judicial branch consists of the Arizona Supreme Court, Court of Appeals (with two divisions), superior courts, justice of the peace courts, and municipal courts. The superior courts, justice of the peace courts, and municipal courts are excluded from the State's reporting entity. The Supreme Court is the highest court in the State and is comprised of five justices. Article 6, Section 5 of the Arizona State Constitution describes the types of cases and matters handled by the Supreme Court.

The services provided by the State are administered through various agencies, departments, boards, commissions, councils, administrations, offices, and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education, (5) Protection and Safety, (6) Transportation, and (7) Natural Resources.

FINANCIAL REPORTING ENTITY

The accompanying CAFR includes all funds of the State of Arizona (primary government), as well as its component units. Blended component units, although legally separate entities, are in substance, part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units are shown separately to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. Discretely presented component units prepared in accordance with the Governmental Accounting Standards Board (GASB) are reported in separate columns in the government-wide financial statements. Discretely presented component units prepared in accordance with the Financial Accounting Standards Board are presented as separate financial statements immediately following the government-wide financial statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by the GASB.

The criteria for inclusion in the reporting entity and presentation are defined by the Codification of Governmental Accounting and Financial Reporting Standards, issued by the GASB, (Section 2100). Note 1 of the Notes to the Financial Statements explains which component units are included in the Financial Reporting Entity of the State.

BUDGETARY CONTROLS

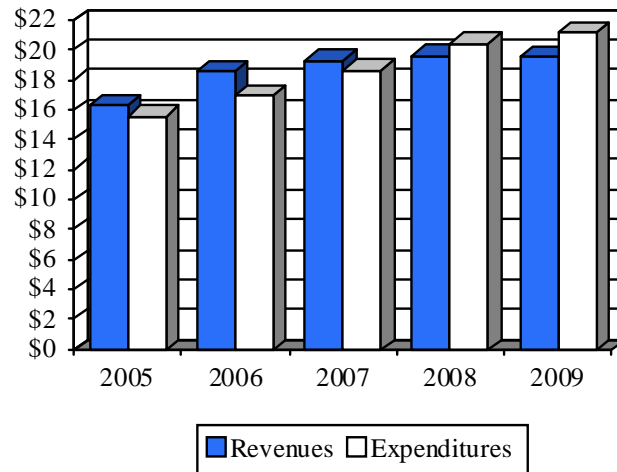
Budgetary control is maintained through legislative appropriation and the executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature and approval by the Governor. The appropriated funds are controlled by the executive branch through an allotment process. This process generally allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. Encumbered amounts generally lapse as of the end of the fiscal year, with the exception of capital outlay and other continuing appropriations. These appropriations and their encumbrances continue from year to year. The State's budgetary policies are explained in detail in the Required Supplementary Information.

GENERAL FUND BALANCE

Graph 1 summarizes the General Fund revenues and expenditures for the last five fiscal years. This graph does not include transfer amounts relating to other fund types and other financing sources (uses), which affect the ending fund balance.

Graph 1

General Fund Revenues and Expenditures
for last 5 fiscal years
(Dollars in billions)

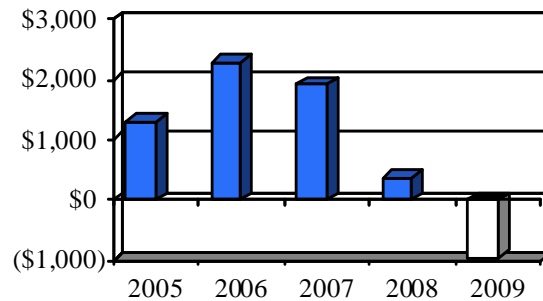


The General Fund ended the June 30, 2009 fiscal year with a deficit of \$1.4 billion in unreserved fund balance and a \$423.103 million reserved fund balance for a total fund balance deficit of \$978.278 million. This compares to the previous year's total fund balance of \$361.622 million. Included in the \$423.103 million reserved fund balance is \$2.767 million for the Budget Stabilization Fund. The Budget Stabilization Fund is a form of Rainy Day Fund established by the Legislature in 1991.

Graph 2 summarizes the General Fund Balance (Deficit) for the last five fiscal years:

Graph 2

General Fund Balance (Deficit) for last 5 fiscal years
(Dollars in millions)



ECONOMIC CONDITION AND OUTLOOK

The following economic summary is excerpted from the Arizona Department of Commerce's Arizona's Workforce, released on October 1, 2009.

The Arizona Department of Commerce, Research Administration's (RA) updated forecast projects nonfarm job losses for both calendar years 2009 (-178,500) and 2010 (-17,300). A total of more than 195,800 (7.5%) nonfarm jobs are expected to be lost over the two year period. Although projected job losses for 2009 have increased by 32,300 from the April 30th, 2009 Forecast, the projected losses in 2010 have decreased by 4,200 as the result of a gradually improving economy. The updated projected rate of loss for Arizona in 2009 is 6.8% and 0.7% for 2010. The nation, however, is forecast to have a slower rate of job loss of 3.7% in 2009 and 0.5% in 2010.

Projected Arizona nonfarm job losses increased in this Forecast Update because the first eight months of 2009 have shown greater losses than earlier forecast. As of August 2009, the annual, average, over-the-year nonfarm job losses numbered 183,200 (7.0%), or 37,000 more than expected in the original Forecast.

The bursting of the housing bubble and ensuing financial crisis caused substantial damage to Arizona's economy. Construction was a significant economic driver of Arizona employment during the housing boom in 2001-06. In June 2006, Arizona construction employment reached its historical peak of 247,500 jobs, and the share of total nonfarm employment held by construction was noticeably higher in Arizona (9.5%) in comparison to the nation (5.6%).

As the housing bubble burst in 2006, the share of construction employment in Arizona began to fall, reaching 5.8% in August 2009 compared to the nation at 4.7%. Along with Nevada, California, and Florida, Arizona has experienced significant economic decline including job losses, home price devaluation, and rising home mortgage foreclosures.

Compounding the effects of the housing collapse and the resulting downturn in Arizona's economy is the use of income by businesses and consumers to reduce debt, instead of purchasing goods and services. A large fraction of the consumer debt was created through home equity loans as people borrowed against the rising value of their homes. Businesses increased borrowing to expand operations to take advantage of opportunities in a growing economy.

As Arizona's economy starts to recover, RA projects nonfarm job growth will begin by the end of 2010 based on the following factors:

- Federal government economic stimulus spending is projected to boost the State's economy in the areas of infrastructure for energy, transportation, health care, and education.
- Federal government expenditures are expected to be maintained for border security, rural area firefighting, military bases, and private sector contracting for civilian and military purposes.
- Federal monetary policy is encouraging lending through low interest rates and the injection of liquidity into financial institutions.
- A buildup in the inventory cycle is anticipated as businesses and consumers increase spending to replenish depleted inventories and buy essential and other goods such as cars, clothing, and household appliances.
- Stable prices for many goods are expected to motivate some increased level of purchasing.

Recent trends have shown increasing stabilization in the U.S. and global economies. These include increased orders for manufactured goods; a rise in the overall capacity utilization rate; an uptick of national housing starts and sales; a greater willingness to lend in financial institutions; and a leveling of world trade. Recently, the economies of major U.S. trading partners, including China, France, and Germany, have shown economic growth. As a result, U.S. export figures have increased.

All these trends will have a positive impact on Arizona's economy, but the growth rates are forecast to be slow for several reasons:

- In an effort to reduce high debt levels, businesses and consumers will continue to moderate spending for goods and services. Stagnant wages and the fear of unemployment will result in constrained spending and increased savings by consumers. As of August 2009, Arizona's unemployment rate had reached 9.1%. Rates above 9% have not been seen since 1983.
- Risk of further credit losses exists due to deteriorating performance of commercial real estate loans. Financing for commercial properties and projects has been extremely difficult with the worsening fundamentals in this sector.
- The national demographic shift of population from northern and eastern states to those in the south and west has long fueled Arizona's economy. Until the national housing market recovers and people can sell their homes in order to move to Arizona, population growth will slow.

- Tourism, a primary driver of Arizona's economy, is not expected to recover quickly because of the weaknesses in the U.S. and global economies.

The following projections are updates for the 11 major sectors in Arizona for the two year forecast period 2009-10.

Manufacturing job losses are forecast to total more than 15,200, or -8.8%. Aerospace products and parts is the only manufacturing industry expected to gain jobs as a result of ongoing civilian and military contracts. Increased export demand is projected to strengthen all fabrication industries.

The Natural Resources and Mining sector is forecast to lose more than 2,400 jobs (-18.1%) over the two-year forecast period. Gradually increasing national and global demand for both metallic and non-metallic mineral ores from rising industrial production is projected to bolster this sector.

Construction employment is forecast to lose more than 61,400 jobs, or -32.7%, due to continued weakness in residential and commercial real estate. However, federal government economic stimulus spending in energy and transportation projects is expected to bolster civil engineering and heavy construction.

Employment reductions in Trade, Transportation, and Utilities are projected to be greater than 37,700 jobs, or -7.3%. Wholesale trade, and transportation and warehousing are forecast to lose jobs in both 2009 and 2010. However, the growth in the inventory cycle is forecast to propel growth in retail trade as consumers replace worn out and broken goods. In addition, federal government economic stimulus spending in energy projects is forecast to cause expansion in utilities. As a result, retail trade and utilities are projected to lose jobs in 2009 and add jobs in 2010.

The Information industry is forecast to lose more than 4,400 jobs, or -10.7%. Consolidation and transformation in the video rental sectors could exacerbate job losses as firms close retail stores and expand kiosks and online operations.

Financial Activities is projected to lose more than 9,400 jobs, or -5.3%. Gradual improvements are forecast to result in job gains for both 2009 and 2010 in the industries of securities and commodity contracts along with insurance, funds, and trusts due to increased investment activity. However, continued weakness in housing and commercial real estate is projected to contribute towards large jobs losses in the real estate, rental, and leasing industries.

Job losses in Professional and Business Services are forecast to be more than 42,500, or -11.0%, over the two-year forecast period. Despite projected losses in 2009, slight gains are forecast for 2010 as demand increases from businesses that use contingent labor and outsourced services provided by the industries of employment services and business services.

Educational and Health Services is the only sector in Arizona to have job gains forecast for both 2009 (+600) and 2010 (+5,800). These projected increases are primarily in health care industries as a result of the continued growth and aging of Arizona's population. Despite projected losses in 2009, private educational services and social services are forecast to gain jobs in 2010.

In Leisure and Hospitality, job losses are projected to total more than 14,500, or -5.4%, over the two-year period. Local travel and tourism (as a lower cost alternative to out-of-state travel) is projected to mitigate leisure and hospitality job losses.

Other Services is projected to lose more than 6,900 jobs, or -6.9%. Repair of appliances and automobiles and refurbishment of existing items (as opposed to new purchases) is forecast to limit losses in this sector.

Overall, Government (federal, state and local) employment losses are forecast to be more than 7,500, or -1.8%. Only the federal government is forecast to gain jobs as a result of the decennial census, economic stimulus, and ongoing activities in civilian and military spheres. However, state and local governments are expected to slash jobs in both 2009 and 2010 as a result of budget deficits and a more constrained ability to borrow funds. Education at the state and local level is forecast to hold steady due to support from federal government economic stimulus expenditures.

Employment in Arizona is projected to show a gradual improvement with slowing nonfarm job losses over the period 2009-10. The primary reasons include a buildup of the inventory cycle; federal government economic stimulus spending; ongoing federal government expenditures in civilian and military sectors; federal government bailouts of financial services industries; and stable prices. Educational and Health Services is the only sector expected to see job gains for both 2009 and 2010 (+6,400 total). Construction is expected to see the greatest number of job losses (-61,400), at the most rapid rate (-32.7%).

MAJOR INITIATIVES

Further deterioration in Arizona's economic conditions during fiscal year 2009 has resulted in a continued downward trend in the State of Arizona's General Fund tax revenue collections. To address the General Fund fiscal year 2009 budget impact created by these revenue shortfalls, the Legislature enacted laws that included measures such as the reduction in State agencies' General Fund spending authority, transfer of amounts from other funds, draw practically all of the remaining amount in the Budget Stabilization Fund, and temporary suspension of cash payments to universities and K-12 education. Additionally, the State used federal stimulus funds through The American Recovery and Reinvestment Act of 2009 as part of the measures to balance the fiscal year 2009 budget.

AWARDS AND ACKNOWLEDGMENTS


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arizona for its CAFR for the fiscal year ended June 30, 2008. This was the fifth consecutive year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency, board, commission, council, administration, office, institution of higher education, and all other organizations within the reporting entity.



David Raber
Interim Director



D. Clark Partridge
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



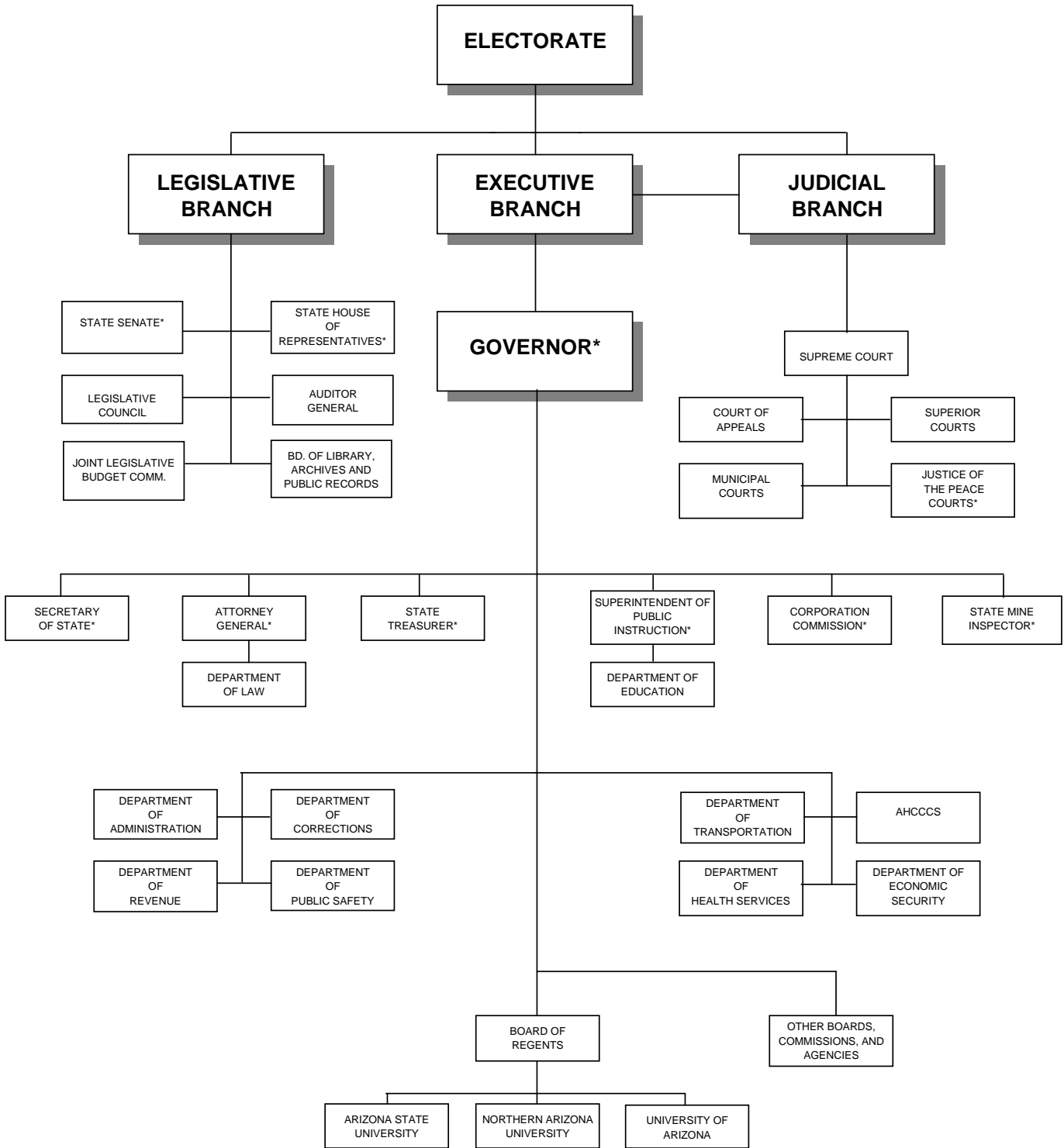
A handwritten signature in black ink, appearing to read "JEFFREY R. EGAN".

President

A handwritten signature in black ink, appearing to read "JEFFREY R. EGAN".

Executive Director

ARIZONA STATE GOVERNMENT ORGANIZATION



* ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
JUNE 30, 2009

ELECTED OFFICIALS

Janice K. Brewer, Governor

Senator Robert Burns, President of the Senate

Representative Kirk Adams, Speaker of the House

Ken Bennett, Secretary of State

Terry Goddard, Attorney General

Joe Hart, State Mine Inspector

Dean Martin, State Treasurer

Tom Horne, Superintendent of Public Instruction

Kristin K. Mayes, Chairman – Corporation Commission

Paul Newman, Commissioner – Corporation Commission

Gary Pierce, Commissioner – Corporation Commission

Sandra D. Kennedy, Commissioner – Corporation Commission

Bob Stump, Commissioner – Corporation Commission

APPOINTED OFFICIALS

Executive Officials

William Bell, Director – Department of Administration

Charles Ryan, Interim Director – Department of Corrections

Neal Young, Director – Department of Economic Security

Gale Garriott, Director – Department of Revenue

Roger Vanderpool, Director – Department of Public Safety

Will Humble, Interim Director – Department of Health Services

Anthony D. Rodgers, Director – Arizona Health Care Cost Containment System

John Halikowski, Director – Department of Transportation

Judicial Officials

Ruth V. McGregor, Chief Justice – Supreme Court

Legislative Officials

Michael E. Braun, Executive Director – Legislative Council

Richard Stavneak, Director – Joint Legislative Budget

Debra K. Davenport, CPA, Auditor General – Office of the Auditor General

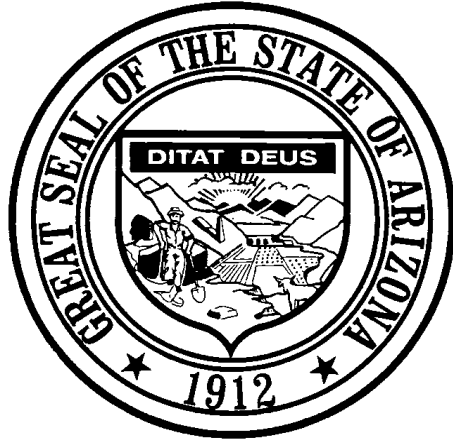
GladysAnn Wells, Director – Arizona State Library, Archives and Public Records

University Officials

Michael M. Crow, President – Arizona State University

Dr. John D. Haeger, President – Northern Arizona University

Robert Shelton, President – University of Arizona



FINANCIAL SECTION

INDEPENDENT
AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

The Honorable Janice K. Brewer, Governor
State of Arizona

The Honorable Bob Burns, President
Arizona State Senate

The Honorable Kirk Adams, Speaker
Arizona House of Representatives

The Honorable Rebecca White Berch, Chief Justice
Arizona Supreme Court

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments and the component units, which account for the following percentages of the assets and revenues, additions, and other financing sources, as applicable, of the opinion units affected:

Opinion Unit/Department	Assets	Revenues/Additions/ Other Financing Sources
<u>Government-wide Statements</u>		
Governmental activities:		
Arizona Health Care Cost Containment System	2.76%	21.28%
Department of Transportation	70.42%	12.69%
Business-type activities:		
Lottery Department	.90%	10.61%
Arizona Health Care Cost Containment System	.19%	1.39%
Department of Transportation	1.31%	.22%
Aggregate discretely presented component units:		
Component Units	100.00%	100.00%
Universities—Affiliated Component Units	100.00%	100.00%

Opinion Unit/Department	Assets	Revenues/Additions/ Other Financing Sources
<u>Fund Statements</u>		
Major Governmental Funds:		
General Fund—Arizona Health Care Cost Containment System	35.94%	23.13%
Transportation and Aviation Planning, Highway Maintenance and Safety Fund—Department of Transportation	100.00%	100.00%
Major Enterprise Fund:		
Lottery Fund—Lottery Department	100.00%	100.00%
Aggregate Remaining Fund Information:		
Arizona Health Care Cost Containment System	.10%	2.63%
Department of Transportation	2.17%	13.00%
Arizona State Retirement System	60.37%	(35.90)%
Public Safety Personnel Retirement System	11.23%	(5.70)%
Corrections Officer Retirement Plan	2.63%	(1.38)%
Elected Officials' Retirement Plan	.71%	(.50)%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Arizona Power Authority and the universities—affiliated component units, which were reported as discretely presented component units, were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Arizona as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The financial statements of the Healthcare Group of Arizona, a nonmajor enterprise fund, are included as part of the State's business-type activities and aggregate remaining fund information. As discussed in Note 9, the Healthcare Group of Arizona has incurred significant operating losses in the past years and has a fund deficit of \$10.789 million at June 30, 2009, that raise substantial doubt about its ability to continue operations. Management's plans in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

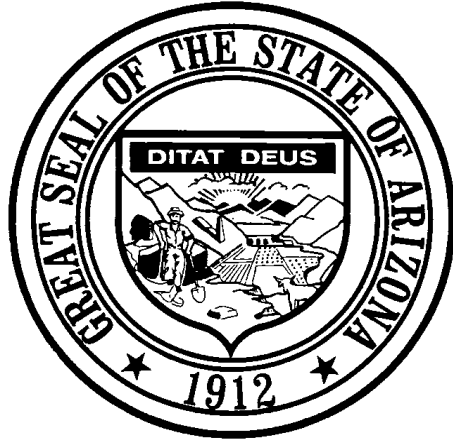
The Management's Discussion and Analysis on pages 21 through 33, the Budgetary Comparison Schedules on pages 131 through 153, the Infrastructure Assets information on pages 154 through 157, and the Schedule of Agent Retirement Plans' Funding Progress on page 158 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

May 7, 2010



MANAGEMENT'S
DISCUSSION
AND
ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Arizona's (the State's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of the State's officials and management.

FINANCIAL HIGHLIGHTS

Government-wide:

- The assets of the State exceeded liabilities at the close of the fiscal year by \$18.9 billion (reported as *net assets*). Of this amount, a deficit of \$2.6 billion exists for *unrestricted net assets*, \$5.1 billion is restricted for specific purposes (*restricted net assets*), and \$16.4 billion is invested in capital assets, net of related debt.
- The State's total net assets decreased in fiscal year 2009 by \$2.7 billion. Net assets of governmental activities decreased by \$2.3 billion, while net assets of the business-type activities decreased by \$366.256 million.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3.6 billion, a decrease of \$1.9 billion from the beginning of the year. A deficit of \$634.123 million exists for unreserved fund balance, which is approximately 17% of the combined fund balances.
- As of the close of the fiscal year, unreserved fund balance for the General Fund had a deficit of \$1.4 billion, which is approximately 7% of total General Fund expenditures.
- The Land Endowments Fund reported fund balance at year end of \$2.2 billion, a decrease of \$348.591 million during the year. The Land Endowments Fund is used to help finance public education within the State as required by the federal government and the State's Constitution.
- The enterprise funds reported net assets at year end of \$2.8 billion, a decrease of \$356.788 million during the year.

Long-term Debt:

- The State's total long-term primary government debt increased during the fiscal year to \$8.1 billion, an increase of \$1.4 billion (or 21%). Changes during the year included the addition of revenue bonds, grant anticipation notes, and certificates of participation of \$1.0 billion, \$55.420 million, and \$580.231 million, respectively. Also, the State retired \$176.970 million of revenue bonds, \$24.050 million of grant anticipation notes, and \$97.015 million of certificates of participation.

More detailed information regarding the government-wide financial statements, fund level financial statements, and long-term debt activity can be found beginning on **page 24**.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Required Supplementary Information and other supplementary information are included in addition to the basic financial statements.

Government-wide Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State of Arizona's finances in a manner similar to private sector business. The financial statements report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better or worse off as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include the following:

The Statement of Net Assets and the Statement of Financial Position (pages 38-40) present all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statements of Activities (pages 42-44) present information showing how the State’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave). Additionally, long-term assets and liabilities are reported regardless of when these assets are expected to be converted to cash, or when the liability is expected to be liquidated (e.g., capital assets and bonded debt).

Government-wide statements report three activities:

- *Governmental Activities* – Most of the State’s basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.
- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, the State’s unemployment compensation services, Industrial Commission rehabilitation services, and the State’s three universities are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the State are financially accountable. The Greater Arizona Development Authority, the University Medical Center, the Arizona Power Authority, and the Water Infrastructure Finance Authority are discretely presented component units reported by the State. Based on GASB Statement No. 39, the State has added University Foundations and financing authorities whose financial statements are prepared in conformity with U.S. generally accepted accounting principles as adopted by the Financial Accounting Standards Board. These organizations include the ASU Foundation, Arizona Capital Facilities Finance Corporation, the U of A Foundation, and other non-major foundations and financing authorities. Financial statements for these organizations are presented immediately following the government-wide statements to emphasize that they are prepared in accordance with accounting standards other than those promulgated by GASB, and include a statement of financial position (**page 40**) and a statement of activities (**page 44**). See **pages 69-72 and 115-126** for more information on discretely presented component units.

Fund Financial Statements (Reporting the State’s Major Funds)

The fund financial statements begin on **page 45** and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, **page 162** begins the individual fund data for the non-major funds. The State’s funds are divided into three categories – governmental, proprietary, and fiduciary – each category uses different accounting approaches.

- *Governmental funds* – Most of the State’s basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State’s programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. This report includes two schedules (**pages 46 and 48-49**) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) reported on the appropriate government-wide statement.

Governmental fund financial statements can be found on pages 45 and 47 of this report.

- *Proprietary funds* – When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public – such as the State Lottery Fund and Universities. Internal service funds report activities that provide supplies and services for the State’s other programs and activities – such as the State’s Risk Management Fund. Internal service fund operations primarily benefit governmental funds and are reported as governmental activities on the government-wide statements. The reconciliation between the government-wide financial statement business-type activities and the proprietary fund financial statements is presented at the end of the financial statements on **pages 52-55**.

Proprietary fund financial statements can be found on pages 50-59 of this report.

- *Fiduciary funds* – The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on **page 60**. These funds are reported using accrual accounting and include pension and other employee benefit trust, investment trust, and agency funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Fiduciary fund financial statements can be found on pages 60-61 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found beginning on page 69 of this report.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules for the General Fund and each major special revenue fund and a reconciliation of the schedules of statutory and U.S. GAAP expenditures for the fiscal year. This section also includes schedules of condition and maintenance data regarding certain portions of the State’s infrastructure and agent benefit plans’ funding progress schedules.

Required supplementary information begins on page 131 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service funds, all fiduciary funds, and non-major universities – affiliated component units. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as are major funds on the governmental funds and proprietary funds financial statements. A budgetary expenditure comparison schedule for the non-major special revenue funds is also included.

Other supplementary information begins on page 162 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's overall financial position and operations for the past year for the primary government are summarized, as follows, based on the information included in the government-wide financial statements.

State of Arizona-Primary Government
Net Assets as of June 30, 2009 and 2008
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2009	2008	2009	2008, as restated	2009	2008, as restated
Current assets	\$ 2,833,059	\$ 3,980,247	\$ 1,685,745	\$ 1,897,597	\$ 4,518,804	\$ 5,877,844
Capital assets	17,859,557	16,801,737	3,404,613	3,309,868	21,264,170	20,111,605
Other non-current assets	4,946,384	5,269,246	1,076,150	973,408	6,022,534	6,242,654
Total Assets	25,639,000	26,051,230	6,166,508	6,180,873	31,805,508	32,232,103
Current liabilities	3,551,427	2,745,864	654,971	599,548	4,206,398	3,345,412
Non-current liabilities	5,986,888	4,892,380	2,720,572	2,424,104	8,707,460	7,316,484
Total Liabilities	9,538,315	7,638,244	3,375,543	3,023,652	12,913,858	10,661,896
Net assets:						
Invested in capital assets, net of related debt	15,094,719	14,530,867	1,328,658	1,387,655	16,423,377	15,918,522
Restricted net assets	3,990,594	4,987,365	1,085,399	1,581,212	5,075,993	6,568,577
Unrestricted net assets	(2,984,628)	(1,105,246)	376,908	188,354	(2,607,720)	(916,892)
Total Net Assets	\$ 16,100,685	\$ 18,412,986	\$ 2,790,965	\$ 3,157,221	\$ 18,891,650	\$ 21,570,207

The largest portion of the State's net assets (87%) represents *capital assets, net of related debt* of \$16.4 billion. The State uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the State's investment in its capital assets is reported net of accumulated depreciation and related debt, it should be noted that the resources needed to repay this debt are planned to be provided from other sources, since the capital assets themselves are not typically used to liquidate these liabilities.

The State's net assets also include \$5.1 billion (27%) of resources that are subject to external restrictions on how they may be used. The largest restrictions are by the State's Constitution for basic education funded by the earnings of the Land Endowments Fund and by federal regulations for unemployment insurance premiums from employers for funding the Unemployment Compensation Fund. Another major restriction is unspent debt instrument proceeds primarily for the acquisition and construction of federal, state, and local highways.

After accounting for the above net asset restrictions, the State has a remaining deficit of \$2.6 billion (14%) reported as *unrestricted net assets*.

The State's net assets decreased \$2.7 billion during the current fiscal year. This decrease was primarily caused by decreases in revenues for sales taxes, income taxes, and losses on trust land sales, while expenses for health and welfare and unemployment compensation increased. The net asset decrease was partially offset by federal stimulus funds through the American Recovery and Reinvestment Act of 2009. Refer to Note 4 on page 91 for explanation of business-type activities restatement.

State of Arizona-Primary Government
Changes in Net Assets for Fiscal Years June 30, 2009 and 2008
(expressed in thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 806,833	\$ 818,567	\$ 2,196,190	\$ 2,125,875	\$ 3,003,023	\$ 2,944,442
Operating grants and contribution	10,620,642	9,190,910	1,243,697	898,441	11,864,339	10,089,351
Capital grants and contributions	553,198	523,898	14,710	38,029	567,908	561,927
General revenues:						
Sales taxes	5,442,563	6,270,419	58,528	72,945	5,501,091	6,343,364
Income taxes	3,126,076	4,205,426	-	-	3,126,076	4,205,426
Tobacco taxes	370,073	413,333	-	-	370,073	413,333
Property taxes	32,564	36,732	-	-	32,564	36,732
Motor vehicle and fuel taxes	1,643,276	1,800,920	-	-	1,643,276	1,800,920
Other taxes	574,030	559,440	-	-	574,030	559,440
Unrestricted investment earnings	92,957	243,160	22,450	39,763	115,407	282,923
Unrestricted grants and contributions	12,440	13,574	-	-	12,440	13,574
Gain (loss) on sale of trust land	(165,696)	196,953	-	-	(165,696)	196,953
Miscellaneous revenue	222,712	214,751	45,786	64,564	268,498	279,315
Total Revenues	23,331,668	24,488,083	3,581,361	3,239,617	26,913,029	27,727,700
Expenses:						
General government	928,485	982,382	-	-	928,485	982,382
Health and welfare	12,055,439	10,884,297	-	-	12,055,439	10,884,297
Inspection and regulation	176,354	185,996	-	-	176,354	185,996
Education	6,084,342	6,242,173	-	-	6,084,342	6,242,173
Protection and safety	1,514,282	1,510,615	-	-	1,514,282	1,510,615
Transportation	695,070	670,173	-	-	695,070	670,173
Natural resources	228,430	250,258	-	-	228,430	250,258
Intergovernmental revenue sharing	2,755,710	3,023,836	-	-	2,755,710	3,023,836
Interest on long-term debt	222,851	179,795	-	-	222,851	179,795
Universities	-	-	3,290,033	3,227,481	3,290,033	3,227,481
Unemployment Compensation	-	-	1,086,330	356,333	1,086,330	356,333
Industrial Commission Special Fund	-	-	30,055	14,824	30,055	14,824
Lottery	-	-	395,950	372,740	395,950	372,740
Other business-type activities	-	-	142,229	162,300	142,229	162,300
Total Expenses	24,660,963	23,929,525	4,944,597	4,133,678	29,605,560	28,063,203
Excess (deficiency) before contributions, special items, extraordinary item, and transfers	(1,329,295)	558,558	(1,363,236)	(894,061)	(2,692,531)	(335,503)
Contributions to permanent endowments	-	-	4,014	3,927	4,014	3,927
Special items:						
Asset impairment of donated historical treasures	-	-	-	(20,100)	-	(20,100)
Intergovernmental transfer of Sundome Center for the Performing Arts	-	-	7,240	-	7,240	-
Extraordinary item:						
Insurance recovery, net of impairment loss	-	-	2,720	15,475	2,720	15,475
Transfers	(983,006)	(994,435)	983,006	994,435	-	-
Change in Net Assets	(2,312,301)	(435,877)	(366,256)	99,676	(2,678,557)	(336,201)
Net Assets - July 1	18,412,986	18,848,863	3,157,221	3,057,545	21,570,207	21,906,408
Net Assets - June 30	\$ 16,100,685	\$ 18,412,986	\$ 2,790,965	\$ 3,157,221	\$ 18,891,650	\$ 21,570,207

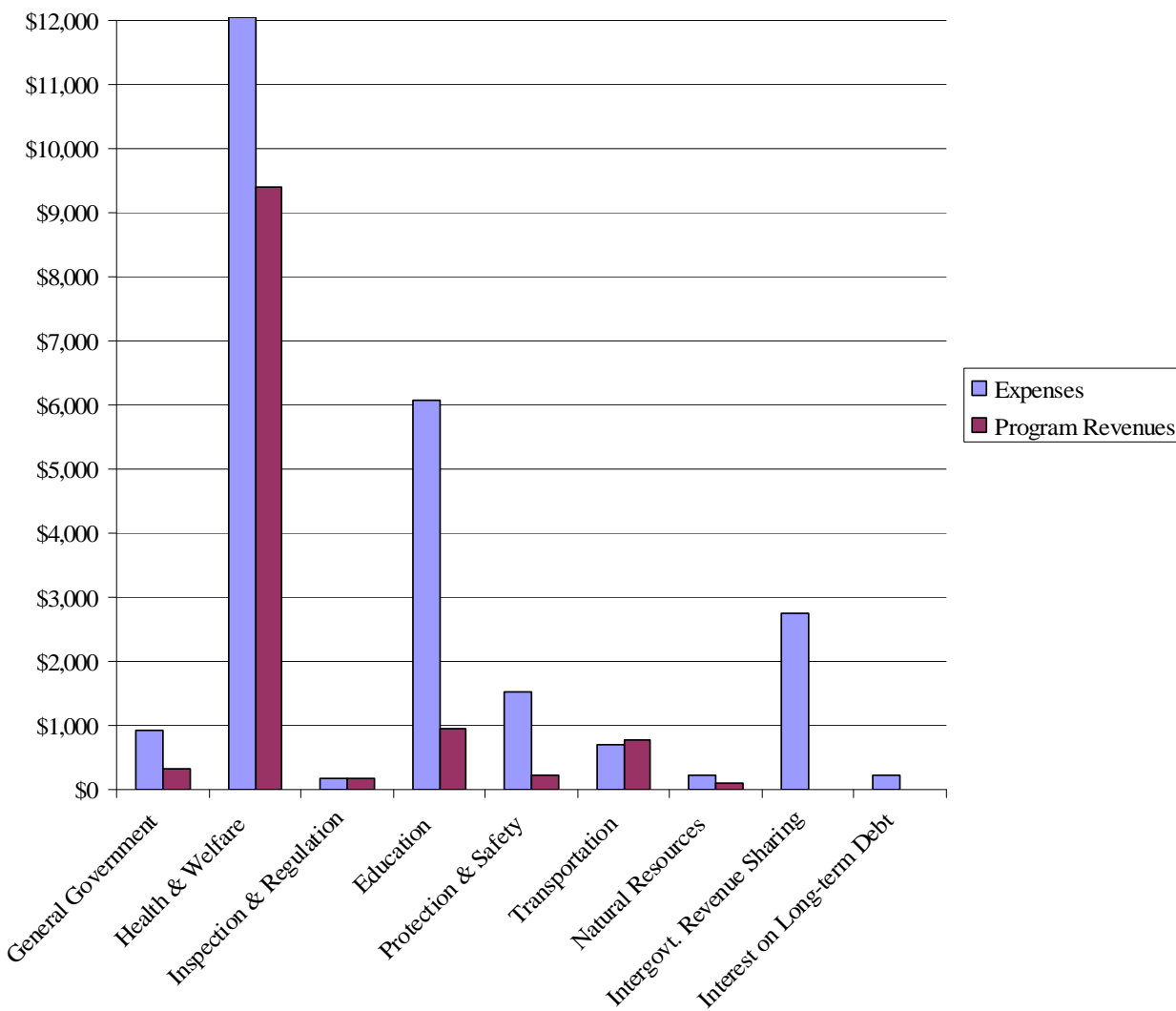
Change in Net Assets

Governmental Activities – Net assets decreased by \$2.3 billion, or 13%. This decrease was primarily attributed to decreases in earned general tax revenues and losses on State trust land sales, coupled with increased costs to the State’s health and welfare programs. Reported income tax and sales tax revenues decreased by \$1.1 billion, or 26%, and \$827.856 million, or 13%, as compared to fiscal year 2008, respectively. The costs of the State’s health and welfare increased \$1.2 billion, or 11%, as compared to fiscal year 2008. Several key elements of the economy have led to the decreased general tax revenues, and increased health and welfare costs. Since the bursting of the housing bubble and ensuing financial crisis, Arizona has experienced significant economic decline including job losses, home price devaluation, and rising home mortgage foreclosures. Compounding the effects of the housing collapse and the resulting downturn in Arizona’s economy is the use of income by businesses and consumers to reduce debt, instead of purchasing goods or services. Stagnant wages and the fear of unemployment have also resulted in constrained spending and increased savings by consumers. Arizona’s unemployment rate increased from 5.5% June 30th, 2008, to 8.7% June 30th, 2009. Another significant contributor to the net asset decrease was a \$362.649 million net decrease on the sale of State trust land. Many buyers bought at or near the peak of the real estate market and were unable to make their scheduled payments. Consequently, nine of the financed sales were canceled during the fiscal year. Some of the net asset decreases have been offset by a \$1.4 billion, or 16%, increase in operating grant and contribution revenues, as compared to fiscal year 2008. These revenues partially consisted of federal stimulus funds through the American Recovery and Reinvestment Act of 2009.

A comparison of the net cost (income) of services by function for the State’s governmental activities is shown below for fiscal years 2009 and 2008. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State’s taxpayers by each of these functions.

	Governmental Activities (expressed in thousands)			
	Total Cost of Services		Net Cost (Income) of Services	
	2009	2008	2009	2008
Functions/Programs:				
General government	\$ 928,485	\$ 982,382	\$ 594,087	\$ 698,543
Health and welfare	12,055,439	10,884,297	2,654,326	3,001,882
Inspection and regulation	176,354	185,996	4,577	8,825
Education	6,084,342	6,242,173	5,128,458	5,179,662
Protection and safety	1,514,282	1,510,615	1,277,463	1,245,745
Transportation	695,070	670,173	(86,556)	(82,861)
Natural resources	228,430	250,258	129,374	140,723
Intergovernmental revenue sharing	2,755,710	3,023,836	2,755,710	3,023,836
Interest on long-term debt	222,851	179,795	222,851	179,795
Total Governmental Activities	<u>\$ 24,660,963</u>	<u>\$ 23,929,525</u>	<u>\$ 12,680,290</u>	<u>\$ 13,396,150</u>

**Expenses and Program Revenues
Governmental Activities for Fiscal Year 2009
(in millions of dollars)**



Business-type Activities – The net assets decreased by \$366.256 million, or 12%. This decrease was primarily caused by the net decrease in the Unemployment Compensation Fund of \$453.993 million and partially offset with the net increase in the Universities Fund of \$106.988 million. The Unemployment Compensation Fund had an increase in costs of sales and benefits of \$729.997 million, which was partially offset by an increase in intergovernmental revenue of \$324.689 million. The primary cause for the increase in the benefits paid was Arizona’s unemployment rate increased from 5.5% June 30th, 2008, to 8.7% June 30th, 2009. This amounts to a decrease of 194,000 individuals employed than the previous fiscal year. The Universities Fund net increase was primarily attributed to a net student tuition and fees increase due to increased tuition rates and enrollment. Federal Stabilization Funds from the American Recovery and Reinvestment Act of 2009 were used to help offset reductions in State appropriations.

A comparison of the net cost (income) of services by function for the State’s business-type activities is shown on the next page for fiscal years 2009 and 2008. Net cost (income) is the total cost less revenues generated by the activities and shows the financial burden placed upon the State’s taxpayers by each of these functions.

Business-type Activities
(expressed in thousands)

	Total Cost of Services		Net Cost (Income) of Services	
	2009	2008	2009	2008
Functions/Programs:				
Universities	\$ 3,290,033	\$ 3,227,481	\$ 1,129,521	\$ 1,178,885
Unemployment Compensation	1,086,330	356,333	445,737	(741)
Industrial Commission				
Special Fund	30,055	14,824	5,135	(10,623)
Lottery	395,950	372,740	(88,536)	(100,197)
Other	142,229	162,300	(1,857)	4,009
Total Business-type Activities	<u>\$ 4,944,597</u>	<u>\$ 4,133,678</u>	<u>\$1,490,000</u>	<u>\$ 1,071,333</u>

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The general government functions are contained in the general, special revenue, debt service, capital projects, and permanent funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the State's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the State. At June 30, 2009, unreserved fund balance of the General Fund had a deficit of \$1.4 billion, while total fund balance closed the year at a deficit of \$978.278 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and other financing uses. Unreserved fund balance represents a negative 6% of total expenditures and other financing uses, while total fund balance represents a negative 4% of the same amount.

The fund balance of the State's General Fund decreased \$1.3 billion during the fiscal year. The primary reason for the decrease in fund balance during the fiscal year is expenditures were \$21.1 billion, while revenues were \$19.5 billion. Although intergovernmental revenues increased \$1.8 billion from the prior fiscal year, sales tax revenues decreased \$780.330 million (14%) and income tax revenues decreased \$1.0 billion (25%). In particular, sales taxes paid by retail stores and construction contractors decreased by 12% and 26%, respectively, when compared to fiscal year 2008 sales tax receipts. In addition, income tax collections decreased from the previous year as a result of the 194,000 decrease in the amount of individuals employed and a decrease in the amount of corporate income taxes collected during the fiscal year.

Health and welfare expenditures and intergovernmental revenue (including federal grants and county funding) increased by \$1.1 billion, or 11%, and \$1.8 billion, or 20%, as compared to fiscal year 2008, respectively. The increase in expenditures in fiscal year 2009 can be attributable to increased enrollment in the Arizona Health Care Cost Containment System's (AHCCCS) programs and associated provider rates. The AHCCCS program experienced the most significant enrollment growth since the Proposition 204 expansion in calendar years 2001 to 2003. During fiscal year 2009, overall program enrollment in the various AHCCCS programs increased 12.0%, primarily due to growth in the Social Security Act Title XIX Waiver Group childless adults and Title XIX families and children program populations. The AHCCCS sets capitation rates within actuarially sound risk bands as required by the Federal Balanced Budget Act of 1997. The capitation rates were increased by a weighted average of 7.3% for the contract period of October 2008 to September 2009. The intergovernmental revenue increase was partially due to the use of federal stimulus funds from the American Recovery and Reinvestment Act of 2009.

Education expenditures decreased by \$241.280 million, or 4%, compared to fiscal year 2008. The decrease can be primarily attributed to a decrease in State assistance for kindergarten through twelfth grade (K-12) and University operating expenditures to address mid-year budget shortfalls.

Transportation and Aviation Planning, Highway Maintenance and Safety Fund

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund is responsible for the repair and maintenance of existing roads, paying the debt service for roads that are built from the issuance of revenue bonds and grant anticipation notes, and providing technical assistance with road construction provided by contractors hired by the Arizona Department of Transportation (ADOT). Total fund balance decreased \$172.385 million during fiscal year 2009. The fund balance decrease was due, in part, to the transfer of \$203.695 million to the General Fund due to House Bill 2209, Chapter 285, and Senate Bills 1001 and 1002, Chapters 1 and 2, respectively, which required the transfer in order to help the State balance the General Fund budget during Fiscal Year 2009. In addition, distributions to Arizona counties and cities decreased during fiscal year 2009 as collections for the Transportation and Aviation Planning, Highway Maintenance and Safety Fund decreased.

Land Endowments Fund

The fund was established when the federal government granted Arizona statehood. Both the State's Constitution and the federal government require that the land grants given to the State be maintained indefinitely, and the earnings from the land grants should be used for public education, primarily K-12. The Land Endowments Fund total fund balance decreased \$348.591 million during fiscal year 2009. Endowment investments decreased \$381.342 million, at fiscal year end, due to receipts from land sales of \$143.674 million, a \$39.276 million decrease for distribution of prior year land sale installments collected on loans defaulted in the current fiscal year, a \$59.359 million decrease for annual distributions as required by the State's Constitution, and a net decrease in the fair value of investments of \$403.213 million.

Proprietary funds

The business-type activities discussion for the fund level financial statements of the State's enterprise funds provide the same type of information found in the government-wide financial statements analysis on **page 27**.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budgetary Comparison Schedules for the major governmental funds are in the Required Supplementary Information section beginning on **page 131**. Differences between the original budget of \$16.836 billion and the final amended budget of \$16.781 billion resulted in a \$55.006 million net decrease in appropriations for the General Fund, before adjustments. Some of the significant changes in the General Fund appropriations were:

1. \$266.231 million increase due to prior fiscal year obligations that were paid in the current fiscal year per ARS §35-191
2. \$272.000 million increase for the payment of the Department of Education's Basic State Aid and Additional State Aid to school districts that was deferred in fiscal year 2008
3. \$300.000 million decrease for the deferral of the Department of Education's Basic State Aid and Additional State Aid payments to school districts
4. \$123.000 million decrease for the Department of Education's K-12 formula payment reductions, including \$21.000 million soft capital suspension
5. \$41.300 million increase for the Department of Education's Arizona Structured English Immersion Fund
6. \$37.441 million decrease to the AHCCCS primarily for agency budget reductions
7. \$32.376 million decrease to the Department of Economic Security primarily for agency budget reductions

8. \$142.000 million decrease for reductions to the Universities Fund appropriations
9. \$100.000 million decrease for the deferral of appropriations to the Universities Fund
10. \$31.384 million increase to the Universities Fund to make debt service payments associated with the financing of research infrastructure projects
11. \$117.000 million increase to the School Facilities Board's (SFB) for new construction costs until SFB receives their newly authorized lease proceeds later in the fiscal year
12. \$20.000 million increase for the Parks Board "Growing Smarter" transfer to the Land Conservation Fund per ARS §41-511.23 to provide grants to purchase State trust land for conservation purposes

The actual expenditures were less than the final budget by \$751.777 million, after adjustments. Of this amount, \$43.091 million will continue as legislative multiple fiscal year spending authority for fiscal years 2010 and beyond, depending upon the budgetary guidelines of the Legislature. The remaining \$708.686 million represents the unused portion of the State's legislatively authorized annual operating budget.

Additional budgetary information can be found on pages 151-153 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2009 totaled \$21.3 billion, net of accumulated depreciation. The total primary government increase in capital assets for the current period was 6%, with a 6% increase in capital assets used for governmental activities and a 3% increase for business-type activities. Depreciation charges of the governmental and business-type activities for the fiscal year totaled \$336.213 million.

Major capital asset activity during the current fiscal year included the following:

- The Universities' additions to capital assets totaled \$329.203 million and included increased investments in instruction, research, student housing, athletic facilities, and other projects.
- The ADOT started or completed roads and bridges totaling \$1.6 billion during the fiscal year.

For the government-wide financial statement presentation, all depreciable assets were depreciated from the acquisition date to the end of the current fiscal year. Capital asset purchases of the governmental funds are reported in the fund-level financial statements as expenditures.

Capital assets for the governmental and business-type activities as of June 30, 2009 are presented below (expressed in thousands):

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008, as restated	2009	2008, as restated
Land	\$ 2,502,039	\$ 2,513,888	\$ 181,400	\$ 166,613	\$ 2,683,439	\$ 2,680,501
Buildings	1,747,807	1,709,900	3,877,636	3,701,943	5,625,443	5,411,843
Improvements other than buildings	142,248	136,246	4,811	4,811	147,059	141,057
Equipment	760,820	772,238	1,345,615	1,282,525	2,106,435	2,054,763
Collections (non-depreciable)	-	-	17,882	15,853	17,882	15,853
Infrastructure	10,647,110	10,108,526	367,408	346,268	11,014,518	10,454,794
Construction in progress	3,282,323	2,719,856	131,054	125,230	3,413,377	2,845,086
Less accumulated depreciation	(1,222,790)	(1,158,917)	(2,521,193)	(2,333,375)	(3,743,983)	(3,492,292)
Total	\$ 17,859,557	\$ 16,801,737	\$ 3,404,613	\$ 3,309,868	\$ 21,264,170	\$ 20,111,605

As provided by GASB Statement 34, the State has elected to record its infrastructure assets, that the ADOT is responsible for maintaining, using the modified approach. Assets accounted for under the modified approach include 6,753 center lane miles (18,544 travel lane miles) and 4,648 bridges.

The State manages its roads using the Present Serviceability Rating (PSR), which measures the condition of the pavement and its ability to serve the traveling public. The PSR uses a five-point scale (5 excellent, 0 impassable) to characterize the condition of the roadway. The State's serviceability rating goal is 3.23 for the overall system. The most recent assessment indicated that an overall rating of 3.74 was achieved for fiscal year 2009.

The State manages its bridges using the Arizona Bridge Information and Storage System. The State determines the condition rating based on standards developed by the Federal Highway Administration and additional internal criteria. It is the policy of the State to maintain a Condition Rating Index (CRI) of 92.5% or better. In fiscal year 2009, a CRI of 93.4% was obtained.

In addition to many smaller projects, each of the following major highway construction projects in excess of \$20.000 million were started during fiscal year 2009 (expressed in thousands):

<u>Project Description</u>	<u>Contract Start Date</u>	<u>Contract Amount</u>	<u>Current Year Expenditures</u>
Major widening on State Route Loop 202 from the Interstate 10 and State Route 51 interchange to State Route Loop 101 in Maricopa County.	11/17/08	\$ 188,895	\$ 45,158
Construction of new roads on State Route Loop 303 from Happy Valley Parkway to Lake Pleasant Parkway in Maricopa County.	11/17/08	100,416	29,771
Major widening of US 93 from Hoover Dam to Mile Post 17 in Mohave County.	10/28/08	71,270	17,546
Construction of new roads on State Route Loop 303 from Lake Pleasant Parkway to Interstate 17 in Maricopa County.	04/17/09	69,348	-
Construction of new roads on Interstate 10 in Pima County.	04/20/09	50,484	4,272
Construction of new roads on State Route 195 from Avenue B to 14 th Street in Yuma County.	08/18/08	43,206	35,244
Reconstruction on State Route Loop 303 at the Cactus, Waddell, and Bell Road traffic interchanges in Maricopa County.	01/30/09	28,197	-
Construction of frontage road on State Route 85 in Maricopa County.	09/22/08	23,855	11,347
Reconstruction on State Route Loop 202 from State Route Loop 101 to Gilbert Road in Maricopa County.	02/23/09	20,565	4,151

In addition to many smaller projects, the following major highway construction projects had expenditures in excess of \$20.000 million in fiscal year 2009 (expressed in thousands):

<u>Project Description</u>	<u>Project Expenditures</u>
Interstate 10 from Price Road to 29 th Street in Pima County.	\$ 97,772
Interstate 17 from Jomax Road to Carefree Highway in Maricopa County.	91,635
Interstate 10 from Sarival to State Route Loop 101 in Maricopa County.	54,908
State Route 195 from Avenue B to 14 th Street in Yuma County.	54,655
State Route Loop 202 from the Interstate 10 and State Route 51 interchange to State Route Loop 101 in Maricopa County.	48,059
State Route Loop 101 from Princess Drive to State Route Loop 202 in Maricopa County.	36,374
State Route Loop 303 from Happy Valley Parkway to Lake Pleasant Parkway in Maricopa County.	34,588
State Route 179 south of Sedona in Coconino and Yavapai Counties.	30,979
Interstate 10 from the Picacho Peak interchange to the Pinal Air Park in Pinal County.	30,102
Construction of frontage road on State Route 85 in Maricopa County.	24,955
State Route Loop 101 from State Route Loop 202 (Red Mountain) to State Route Loop 202 (Santan) in Maricopa County.	24,259
State Route Loop 202 from the junction of Interstate 10 west to the junction of Interstate 10 south in Maricopa County.	22,849

Capital assets financed by debt instruments do not generate funds to repay the debt instruments.

More detailed information regarding capital assets are on pages 90 and 91.

Long-term debt:

The State issues no general obligation debt instruments. The Arizona Constitution, under Article 9, Section 5, provides that the State may contract debts not to exceed \$350 thousand. This provision has been interpreted to restrict the State from pledging its credit as a sole payment for debts incurred for the operation of the State government. As a result, the State pledges either dedicated revenue streams or the constructed building or equipment acquired as security for the repayment of long-term debt instruments.

Major long-term debt activity during the current fiscal year included the following:

- The ADOT issued revenue bonds totaling \$621.050 million to finance the costs of right-of-way purchase, design, and construction of federal, state, and local highways and to pay the costs of issuing the bonds.
- The Universities issued revenue bonds for \$385.850 million to fund the acquisition, construction, or renovation of capital facilities and infrastructure and to pay capitalized interest on certain bonds.
- The ADOT issued \$55.420 million of grant anticipation notes to pay a portion of the costs of certain controlled-access highways in Maricopa County and to pay the costs of issuance.
- The School Facilities Board issued \$580.035 million of certificates of participation to finance the following: (i) finance the costs of acquiring leasehold interests in school sites and certain school facilities, which will be subleased to various school districts within the State, as well as the costs of other new school facilities, (ii) pay capitalized interest with respect to the 2008 COPs, and (iii) pay the costs of issuance.

State of Arizona-Primary Government
Outstanding Major Long-Term Debt as of June 30, 2009
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue bonds	\$ 3,251,580	\$ 2,759,070	\$ 1,239,675	\$ 902,255	\$ 4,491,255	\$ 3,661,325
Grant anticipation notes	329,650	298,280	-	-	329,650	298,280
Certificates of participation	1,649,870	1,135,640	872,829	903,843	2,522,699	2,039,483
Total	<u>\$ 5,231,100</u>	<u>\$ 4,192,990</u>	<u>\$ 2,112,504</u>	<u>\$ 1,806,098</u>	<u>\$ 7,343,604</u>	<u>\$ 5,999,088</u>

More detailed information regarding long-term debt begins on page 97.

ECONOMIC CONDITION AND OUTLOOK

Arizona's economy, along with the rest of the nation, continued to contract in fiscal year 2009, as problems in the financial and housing markets continued, along with continued decline in labor markets. As previously mentioned, since the bursting of the housing bubble and ensuing financial crisis, Arizona has experienced significant economic decline including job losses, home price devaluation and rising home mortgage foreclosures. Compounding the effects of the housing collapse and the resulting downturn in Arizona's economy is the use of income by businesses and consumers to reduce debt, instead of purchasing goods or services. Stagnant wages and the fear of unemployment have also resulted in constrained spending and increased savings by consumers. Arizona's unemployment rate increased from 5.5% June 30th, 2008, to 8.7% June 30th, 2009.

Arizona's economy is projected to continue losing jobs in calendar years 2009 and 2010. The Arizona Department of Commerce, Research Administration (RA), forecasts a loss of 195,800 jobs (-7.5%) for the calendar year 2009-2010 forecast period. However, RA expects employment in Arizona to show a gradual improvement with slowing job losses over the 2009-2010 calendar year forecast period (from losses of 178,500 in 2009 to losses of 17,300 in 2010). The primary reasons include a buildup of the inventory cycle; federal government economic stimulus spending; ongoing

federal government expenditures in civilian and military sectors; federal government bailouts of financial services industries; and stable prices.

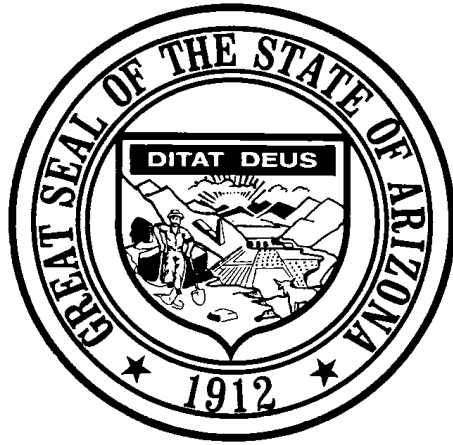
The State has recently experienced its worst economic downturn in at least 50 years. Over the period of fiscal year end 2007 through February 2010, the total revenue from the State's major tax sources (sales and use, individual and corporate) has decreased by approximately one-third. With revenues falling short of budgeted levels, the State's General Fund was faced with a fiscal year 2009 ending balance shortfall and approximately a \$3.2 billion on-going structural deficit. The State Legislature has enacted a series of laws in response. Significant measures include deep cuts to education and health/welfare programs. Additionally, the State Legislature referred a temporary 1-cent increase in the transaction privilege tax to voters. The special election will be held on May 18, 2010. If approved, the increase would become effective June 1, 2010 and expire May 31, 2013. The State Legislature has already enacted laws for additional cuts to State spending authority that will be triggered if the temporary tax is not passed. Accordingly, the State has adopted a workable budget for fiscal year 2010 and 2011, and has made significant progress towards eliminating the long-term structural deficit.

The State will continue to use federal stimulus funds through The American Recovery and Reinvestment Act of 2009 (ARRA) as part of the measures to balance the budget. From fiscal year 2009 through fiscal year 2011, the State is scheduled to receive approximately \$2.8 billion in ARRA funding, that is a direct help to the General Fund, to be used largely for education and for health/welfare programs. The State recorded \$834.355 million in ARRA revenue in fiscal year 2009. Further, the decline in tax revenues has created problems in the management of the State's cash flow needs. As a result, throughout most of fiscal year 2010, the State Treasurer issued Treasurer's Warrant Notes (TWNs) in lieu of immediate redemption of warrants presented to the State Treasurer for payment of authorized General Fund expenditures. At May 7, 2010, the outstanding balance of the TWNs was approximately \$594.316 million.

CONTACTING THE STATE COMPTROLLER'S OFFICE

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Arizona Department of Administration, General Accounting Office, Financial Reporting Section at (602) 542-5405. You may also access and print this report at <http://www.gao.az.gov/financials/>.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. Contact information regarding the component units begins on **page 70**.



BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

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STATE OF ARIZONA
STATEMENT OF NET ASSETS
 JUNE 30, 2009
 (Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
			PRIMARY GOVERNMENT		
ASSETS					
Current Assets:					
Cash	\$ 5,681	\$ 203,148	\$ 208,829	\$ -	\$ 4,589
Cash with U.S. Treasury	-	602,590	602,590	-	-
Cash and pooled investments with State Treasurer	890,391	187,441	1,077,832	4,392	88,970
Restricted cash and pooled investments with State Treasurer	-	51,395	51,395	-	-
Cash held by trustee	-	-	-	-	2,607
Collateral investment pool	282,668	47,427	330,095	-	2,470
Short-term investments	-	97,644	97,644	-	111,538
Restricted investments held by trustee	-	-	-	-	19,868
Receivables, net of allowances:					
Taxes	560,259	68,975	629,234	-	-
Interest	159,330	3,682	163,012	-	12,466
Loans and notes	23,838	12,557	36,395	-	-
Patient accounts receivable	-	-	-	-	85,343
Other	159,726	114,810	274,536	-	46,430
Internal balances	(199,187)	199,187	-	-	-
Due from U.S. Government	860,299	64,658	924,957	-	-
Due from local governments	19,500	-	19,500	-	-
Due from others	24	-	24	-	-
Inventories, at cost	13,849	28,737	42,586	-	12,576
Other current assets	56,681	3,494	60,175	-	6,523
Total Current Assets	<u>2,833,059</u>	<u>1,685,745</u>	<u>4,518,804</u>	<u>4,392</u>	<u>393,380</u>
Noncurrent Assets:					
Restricted assets:					
Cash	48	18,560	18,608	-	-
Cash and pooled investments with State Treasurer	2,007,501	-	2,007,501	9,860	-
Cash held by trustee	59,087	93,479	152,566	-	-
Investments	2,337	32,512	34,849	-	-
Investments held by trustee	-	189,199	189,199	-	78,900
Receivables, net of allowances:					
Loans and notes	602,880	43,635	646,515	-	992,641
Other	-	8,959	8,959	-	-
Securities held in escheat	22,879	-	22,879	-	-
Investments	-	436,033	436,033	-	97,118
Endowment investments	2,236,330	234,168	2,470,498	-	-
Other noncurrent assets	15,322	19,605	34,927	-	53,025
Capital assets:					
Infrastructure, land, and other non-depreciable	16,416,151	330,336	16,746,487	-	114,448
Buildings, equipment, and other depreciable, net of accumulated depreciation	1,443,406	3,074,277	4,517,683	-	155,273
Total Noncurrent Assets	<u>22,805,941</u>	<u>4,480,763</u>	<u>27,286,704</u>	<u>9,860</u>	<u>1,491,405</u>
Total Assets	<u>25,639,000</u>	<u>6,166,508</u>	<u>31,805,508</u>	<u>14,252</u>	<u>1,884,785</u>

The Notes to the Financial Statements are an integral part of this statement.

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
 JUNE 30, 2009
 (Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
			PRIMARY GOVERNMENT		
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	\$ 624,348	\$ 155,459	\$ 779,807	\$ -	\$ 56,265
Payable for securities purchased	-	5,878	5,878	-	-
Accrued liabilities	889,434	84,886	974,320	-	46,215
Obligations under securities loan agreements	282,668	47,427	330,095	-	2,470
Due to U.S. Government	6,238	10	6,248	-	-
Due to local governments	970,101	31	970,132	-	-
Due to others	166,348	96,585	262,933	-	-
Unearned deferred revenue	81,905	127,776	209,681	-	-
Current portion of accrued insurance losses	51,881	26,658	78,539	-	4,736
Current portion of long-term debt	305,674	95,065	400,739	-	37,055
Current portion of other long-term liabilities	172,830	15,196	188,026	-	8,580
Total Current Liabilities	<u>3,551,427</u>	<u>654,971</u>	<u>4,206,398</u>	<u>-</u>	<u>155,321</u>
Noncurrent Liabilities:					
Unearned deferred revenue	61,556	20,070	81,626	-	2,336
Contracts payable	-	13,985	13,985	-	-
Accrued insurance losses	307,932	351,862	659,794	-	10,385
Funds held for others	-	51,780	51,780	-	-
Long-term debt	5,487,004	2,227,802	7,714,806	-	1,078,032
Other long-term liabilities	130,396	55,073	185,469	-	10,818
Total Noncurrent Liabilities	<u>5,986,888</u>	<u>2,720,572</u>	<u>8,707,460</u>	<u>-</u>	<u>1,101,571</u>
Total Liabilities	<u>9,538,315</u>	<u>3,375,543</u>	<u>12,913,858</u>	<u>-</u>	<u>1,256,892</u>
NET ASSETS					
Invested in capital assets, net of related debt	15,094,719	1,328,658	16,423,377	-	35,879
Restricted for:					
Federal grants	34,345	-	34,345	-	-
Capital projects	532,766	3,578	536,344	-	-
Unemployment Compensation	-	619,003	619,003	-	-
Debt service	26,442	27,293	53,735	9,860	-
Permanent funds and University funds:					
Expendable	93,302	203,806	297,108	-	-
Nonexpendable	2,866,103	156,630	3,022,733	-	-
Loans and other financial assistance:					
Expendable	-	75,069	75,069	-	341,021
Other purposes	437,636	20	437,656	-	21,113
Unrestricted (deficit)	<u>(2,984,628)</u>	<u>376,908</u>	<u>(2,607,720)</u>	<u>4,392</u>	<u>229,880</u>
Total Net Assets	<u>\$ 16,100,685</u>	<u>\$ 2,790,965</u>	<u>\$ 18,891,650</u>	<u>\$ 14,252</u>	<u>\$ 627,893</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2009
(Expressed in Thousands)

ASSETS

Cash and cash equivalent investments	\$	77,216
Receivables:		
Pledges receivable		175,754
Other receivables		17,482
Total receivables		<u>193,236</u>
Investments:		
Investments in securities		839,827
Investments held in trust for Universities		85,422
Other investments		51,360
Total investments		<u>976,609</u>
Net direct financing leases		123,523
Property and equipment, net of accumulated depreciation		401,695
Licenses		5,559
Other assets		41,997
Total Assets		<u>1,819,835</u>

LIABILITIES

Liability under Universities' endowment trust agreements		73,544
Bonds payable		661,474
Unearned revenue		33,108
Other liabilities		68,063
Total Liabilities		<u>836,189</u>

NET ASSETS

Permanently restricted		665,707
Temporarily restricted		332,829
Unrestricted		(14,890)
Total Net Assets	\$	<u>983,646</u>

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009
 (Expressed in Thousands)

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 928,485	\$ 199,011	\$ 135,387	\$ -
Health and welfare	12,055,439	92,770	9,308,088	255
Inspection and regulation	176,354	153,642	18,135	-
Education	6,084,342	41,079	914,805	-
Protection and safety	1,514,282	122,840	113,979	-
Transportation	695,070	138,520	90,618	552,488
Natural resources	228,430	58,971	39,630	455
Intergovernmental revenue sharing	2,755,710	-	-	-
Interest on long-term debt	222,851	-	-	-
Total Governmental Activities	24,660,963	806,833	10,620,642	553,198
Business-type Activities:				
Universities	3,290,033	1,272,694	873,108	14,710
Unemployment Compensation	1,086,330	270,859	369,734	-
Industrial Commission Special Fund	30,055	24,920	-	-
Lottery	395,950	484,486	-	-
Other	142,229	143,231	855	-
Total Business-type Activities	4,944,597	2,196,190	1,243,697	14,710
Total Primary Government	\$ 29,605,560	\$ 3,003,023	\$ 11,864,339	\$ 567,908
COMPONENT UNITS:				
Governmental Activities:				
Greater Arizona Development Authority	\$ 5,620	\$ -	\$ -	\$ -
Business-type Activities:				
Water Infrastructure Finance Authority	\$ 42,520	\$ 32,215	\$ 20,035	\$ -
University Medical Center	530,782	543,947	-	1,726
Arizona Power Authority	29,750	29,810	-	-
Total Business-type Activities	\$ 603,052	\$ 605,972	\$ 20,035	\$ 1,726

General Revenues:

- Taxes:
 - Sales
 - Income
 - Tobacco
 - Property
 - Motor vehicle and fuel
 - Other
- Unrestricted investment earnings
- Unrestricted grants and contributions
- (Loss) on sale of trust land
- Miscellaneous
- Contributions to permanent endowments
- Special Item:
 - Intergovernmental transfer of Sundome Center for the Performing Arts
- Extraordinary Item:
 - Insurance recovery, net of impairment loss
- Transfers
- Total General Revenues, Contributions, Special Item, Extraordinary Item, and Transfers
- Change in Net Assets
- Net Assets - Beginning
- Net Assets - Ending

The Notes to the Financial Statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
		PRIMARY GOVERNMENT		
\$ (594,087)		\$ (594,087)		
(2,654,326)		(2,654,326)		
(4,577)		(4,577)		
(5,128,458)		(5,128,458)		
(1,277,463)		(1,277,463)		
86,556		86,556		
(129,374)		(129,374)		
(2,755,710)		(2,755,710)		
(222,851)		(222,851)		
<u>(12,680,290)</u>		<u>(12,680,290)</u>		
	\$ (1,129,521)	(1,129,521)		
	(445,737)	(445,737)		
	(5,135)	(5,135)		
	88,536	88,536		
	1,857	1,857		
	<u>(1,490,000)</u>	<u>(1,490,000)</u>		
<u>(12,680,290)</u>	<u>(1,490,000)</u>	<u>(14,170,290)</u>		
			\$ (5,620)	
				\$ 9,730
				14,891
				60
				<u>24,681</u>
5,442,563	58,528	5,501,091	-	-
3,126,076	-	3,126,076	-	-
370,073	-	370,073	-	-
32,564	-	32,564	-	-
1,643,276	-	1,643,276	-	-
574,030	-	574,030	-	-
92,957	22,450	115,407	698	(6,668)
12,440	-	12,440	-	-
(165,696)	-	(165,696)	-	-
222,712	45,786	268,498	-	-
-	4,014	4,014	-	-
-	7,240	7,240	-	-
-	2,720	2,720	-	-
<u>(983,006)</u>	<u>983,006</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,367,989	1,123,744	11,491,733	698	(6,668)
(2,312,301)	(366,256)	(2,678,557)	(4,922)	18,013
18,412,986	3,157,221	21,570,207	19,174	609,880
<u>\$ 16,100,685</u>	<u>\$ 2,790,965</u>	<u>\$ 18,891,650</u>	<u>\$ 14,252</u>	<u>\$ 627,893</u>

STATE OF ARIZONA
STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES				
Contributions	\$ 12,769	\$ 64,314	\$ 26,490	\$ 103,573
Rental revenue	46,289	-	-	46,289
Sales and services	35,095	89	-	35,184
Net investment income	(51,762)	(46,586)	(63,514)	(161,862)
Net assets released from restrictions	113,450	(94,379)	(19,071)	-
Capital lease revenue	113	-	-	113
Licensing revenue	2,309	-	-	2,309
Other revenues	21,773	4,304	34	26,111
Total Revenues	180,036	(72,258)	(56,061)	51,717
EXPENSES				
Program services:				
Payments to Universities	92,374	-	-	92,374
Leasing related expenses	8,883	-	-	8,883
Payments on behalf of Universities	18,478	-	-	18,478
Other program services	10,878	-	-	10,878
Personal services, operations, and administrative expenses				
	58,049	-	-	58,049
Fundraising expenses	8,823	-	-	8,823
Interest	25,064	-	-	25,064
Depreciation and amortization	18,089	-	-	18,089
Other expenses	8,866	-	-	8,866
Total Expenses	249,504	-	-	249,504
Decrease in net assets, before extraordinary items	(69,468)	(72,258)	(56,061)	(197,787)
Extraordinary Items:				
Gain on lease revaluation due to bond refunding	1,394	-	-	1,394
Loss on early debt extinguishment	(3,442)	-	-	(3,442)
Reclassification of net assets per change in law	-	5,678	(5,678)	-
Decrease in net assets, after extraordinary items	(71,516)	(66,580)	(61,739)	(199,835)
Net Assets - Beginning	57,022	404,068	722,396	1,183,486
Transfers	(356)	(4,694)	5,050	-
Cumulative effect of accounting change	(40)	35	-	(5)
Net Assets - Ending	\$ (14,890)	\$ 332,829	\$ 665,707	\$ 983,646

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	GENERAL FUND	TRANSPORTATION & AVIATION PLANNING, HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS					
Cash	\$ 1,425	\$ -	\$ 28	\$ 3,496	\$ 4,949
Cash and pooled investments with State Treasurer	-	10,620	94,427	656,928	761,975
Collateral investment pool	31,336	34,836	170,195	46,301	282,668
Receivables, net of allowances:					
Taxes	434,645	61,018	-	64,596	560,259
Interest	1,421	1,779	152,041	4,082	159,323
Loans and notes	-	9,789	616,929	-	626,718
Other	84,986	25,914	9,396	24,543	144,839
Due from U.S. Government	797,790	57,968	-	-	855,758
Due from local governments	19,500	-	-	-	19,500
Due from others	-	-	-	24	24
Due from other Funds	22,930	8	1,703	325,195	349,836
Inventories, at cost	3,560	7,447	-	95	11,102
Restricted assets:					
Cash	48	-	-	-	48
Cash and pooled investments with State Treasurer	425,757	700,224	-	881,520	2,007,501
Cash held by trustee	25,353	-	-	33,734	59,087
Investments	2,337	-	-	-	2,337
Securities held in escheat	22,879	-	-	-	22,879
Endowment investments	-	-	2,236,330	-	2,236,330
Other	135	50,816	-	12	50,963
Total Assets	\$ 1,874,102	\$ 960,419	\$ 3,281,049	\$ 2,040,526	\$ 8,156,096
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	\$ 291,455	\$ 142,811	\$ 51,426	\$ 58,462	\$ 544,154
Accrued liabilities	437,519	11,664	237	31,326	480,746
Obligations under securities loan agreements	31,336	34,836	170,195	46,301	282,668
Due to U.S. Government	6,238	-	-	-	6,238
Due to local governments	762,223	113,013	-	94,865	970,101
Due to others	166,250	-	1	97	166,348
Due to other Funds	552,964	4,774	26,211	14,056	598,005
Unavailable deferred revenue	535,315	19,789	763,272	954	1,319,330
Unearned deferred revenue	69,080	-	73,574	807	143,461
Total Liabilities	2,852,380	326,887	1,084,916	246,868	4,511,051
Fund Balances:					
Reserved for:					
Budget stabilization fund	2,767	-	-	-	2,767
Highway construction	-	522,795	-	781,986	1,304,781
Other construction	-	-	-	108,129	108,129
School facilities improvements	376,993	-	-	-	376,993
Permanent funds	-	-	2,196,040	-	2,196,040
Continuing appropriations	43,091	174,394	93	38,066	255,644
Debt service	-	-	-	27,115	27,115
Other fund balance reservations	252	7,447	-	-	7,699
Unreserved	(1,401,381)	(71,104)	-	-	(1,472,485)
Unreserved reported in:					
Non-major special revenue funds	-	-	-	838,362	838,362
Total Fund Balances	(978,278)	633,532	2,196,133	1,793,658	3,645,045
Total Liabilities and Fund Balances	\$ 1,874,102	\$ 960,419	\$ 3,281,049	\$ 2,040,526	\$ 8,156,096

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 JUNE 30, 2009
 (Expressed in Thousands)

Total fund balances - governmental funds \$ 3,645,045

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 17,787,093

Certain receivables related to reimbursements are not available at year end and, therefore, are not reported in the governmental funds. 2,341

Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 1,319,330

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (326,657)

The allocation of the internal service fund accumulated net loss results in an amount due from business-type activities, which is not reported in the governmental funds. 46,193

Deferred issue costs are reported as current expenditures in the governmental funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets. 13,697

Long-term debt is not due and payable from current financial resources and, therefore, is not reported in the governmental funds. These amounts consist of:

Revenue bonds	(3,251,580)	
Grant anticipation notes	(329,650)	
Certificates of participation	(1,649,870)	
Capital leases	(233,044)	
Installment purchase contracts	(6,343)	
Notes payable	(42,668)	
Premium on debt	(285,613)	
Deferred amount on refundings	<u>9,171</u>	(5,789,597)

Accrued liabilities for AHCCCS programmatic costs and reimbursements are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. (380,814)

Accrued interest on long-term obligations is not due and payable from current financial resources and, therefore, is not reported in the governmental funds. (26,434)

Other long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the governmental funds. Those liabilities consist of:

Compensated absences	(166,696)	
Pollution remediation obligations	<u>(22,813)</u>	(189,509)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds. Those assets consist of:

Other non-current assets		<u>(3)</u>
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Net assets of governmental activities \$ 16,100,685

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	TRANSPORTATION & AVIATION PLANNING,				
	GENERAL	HIGHWAY MAINTENANCE & SAFETY FUND	LAND ENDOWMENTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
	FUND	SAFETY FUND	FUND	FUNDS	TOTAL
REVENUES					
Taxes:					
Sales	\$ 4,669,693	\$ 219,164	\$ -	\$ 540,596	\$ 5,429,453
Income	3,137,714	-	-	80	3,137,794
Tobacco	75,128	-	-	294,945	370,073
Property	20,589	11,975	-	-	32,564
Motor vehicle and fuel	-	1,672,151	-	-	1,672,151
Other	456,561	-	-	117,469	574,030
Intergovernmental	10,614,124	653,999	-	47,900	11,316,023
Licenses, fees, and permits	110,563	88,072	-	211,367	410,002
Earnings on investments	19,107	24,796	(410,911)	48,687	(318,321)
Sales and charges for services	88,198	936	37,809	27,728	154,671
Fines, forfeitures, and penalties	40,570	-	-	162,767	203,337
Gaming	5,973	-	-	78,167	84,140
Tobacco settlement	125,571	-	-	-	125,571
Proceeds from sale of trust land	-	-	143,674	-	143,674
Other	147,796	24,122	7,269	74,681	253,868
Total Revenues	<u>19,511,587</u>	<u>2,695,215</u>	<u>(222,159)</u>	<u>1,604,387</u>	<u>23,589,030</u>
EXPENDITURES					
Current:					
General government	766,236	-	-	147,030	913,266
Health and welfare	11,688,927	-	7,109	263,604	11,959,640
Inspection and regulation	55,210	-	-	119,423	174,633
Education	5,365,372	-	45,455	620,778	6,031,605
Protection and safety	1,350,340	-	7,349	103,003	1,460,692
Transportation	70	564,442	-	44,119	608,631
Natural resources	87,506	-	-	132,524	220,030
Intergovernmental revenue sharing	1,663,817	1,100,959	-	-	2,764,776
Debt service:					
Principal	55,057	412	-	180,502	235,971
Interest and other fiscal charges	52,189	5,423	-	180,818	238,430
Capital outlay	50,665	618,760	26	626,079	1,295,530
Total Expenditures	<u>21,135,389</u>	<u>2,289,996</u>	<u>59,939</u>	<u>2,417,880</u>	<u>25,903,204</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,623,802)</u>	<u>405,219</u>	<u>(282,098)</u>	<u>(813,493)</u>	<u>(2,314,174)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	815,357	2,898	8	430,004	1,248,267
Transfers out	(1,126,584)	(605,768)	(66,501)	(370,111)	(2,168,964)
Proceeds from sale of capital assets	-	2,127	-	-	2,127
Capital lease and installment purchase contracts	3,134	-	-	922	4,056
Proceeds from notes and loans	-	23,139	-	-	23,139
Bonds issued	-	-	-	621,050	621,050
Grant anticipation notes issued	-	-	-	55,420	55,420
Certificates of participation issued	580,035	-	-	-	580,035
Premium on debt issued	11,960	-	-	58,123	70,083
Total Other Financing Sources (Uses)	<u>283,902</u>	<u>(577,604)</u>	<u>(66,493)</u>	<u>795,408</u>	<u>435,213</u>
Net Change in Fund Balances	<u>(1,339,900)</u>	<u>(172,385)</u>	<u>(348,591)</u>	<u>(18,085)</u>	<u>(1,878,961)</u>
Fund Balances - Beginning	361,622	805,917	2,544,724	1,811,743	5,524,006
Fund Balances - Ending	<u>\$ (978,278)</u>	<u>\$ 633,532</u>	<u>\$ 2,196,133</u>	<u>\$ 1,793,658</u>	<u>\$ 3,645,045</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 FOR THE YEAR ENDED JUNE 30, 2009
 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ (1,878,961)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	1,295,530	
Infrastructure and land adjustment	(128,578)	
Depreciation expense	<u>(104,243)</u>	1,062,709

The net expense of internal service funds is included with governmental activities in the Statement of Activities. (61,589)

Some revenues reported in the Statement of Activities are not currently available at year-end and are not reported as revenue in the governmental funds.

Sales taxes	13,110	
Tobacco settlement	2,138	
Accrued interest on land sales' contracts	35,025	
Operating grants	15,630	
Other revenue	<u>9,118</u>	75,021

Certain revenues that are reported as resources in the funds, but were earned in prior fiscal years, are not reported in the Statement of Activities.

Income taxes	(11,718)	
Right-of-way lease revenue	<u>(10,689)</u>	(22,407)

Trust land sales are financed with long-term mortgages. In the Statement of Activities, the gain on sale of trust land is reported, whereas in the governmental funds, the proceeds from the collection of mortgage payments are reported. In FY 2009, mortgage payments exceeded gains resulting from current year land sales. Land sale defaults also resulted in write-offs of receivables deemed uncollectible. Write off of long-term mortgage receivables related to land sales defaults are not reported in the governmental funds.

Mortgage payment proceeds	(34,906)	
Land sale defaults	<u>(274,464)</u>	(309,370)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

AHCCCS accrued programmatic costs	(52,960)	
Pollution remediation obligations	<u>(22,813)</u>	(75,773)

The Notes to the Financial Statements are an integral part of this statement. (Continued)

STATE OF ARIZONA
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 FOR THE YEAR ENDED JUNE 30, 2009
 (Expressed in Thousands)

Certain expenditures that are reported in the governmental funds in the current year, but were incurred in prior fiscal years, are not reported in the Statement of Activities.

Compensated absences		136
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Bond proceeds provide current financial resources to the governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

Bonds issued	(621,050)	
Grant anticipation notes issued	(55,420)	
Certificates of participation issued	(580,035)	
Proceeds from notes and loans	(23,139)	
Bond issuance costs	3,967	
Premium on debt issued	(70,083)	
	(70,083)	(1,345,760)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Debt service principal	235,971	
Debt premium/discount amortization	27,286	
Amortization of bond issuance costs	(982)	
Amortization of deferred amount	(3,974)	
	(3,974)	258,301

Accrued interest on long-term obligations is not due and payable from current financial resources and, therefore, is not reported in the governmental funds.		(10,552)
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Some capital asset additions were financed through capital leases and installment purchase contracts. Such financing arrangements are reported as an other financing source in the governmental funds, however, these amounts are reported as liabilities in the Statement of Net Assets.		(4,056)
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Change in net assets of governmental activities		\$ (2,312,301)
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The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2009
 (Expressed in Thousands)

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
ASSETS					
Current Assets:					
Cash	\$ 156,250	\$ -	\$ 44,961	\$ -	\$ 1,937
Cash with U.S. Treasury	-	602,590	-	-	-
Cash and pooled investments with State Treasurer	119,807	-	6,961	35,538	25,135
Restricted cash and pooled investments with State Treasurer	-	-	-	-	51,395
Collateral investment pool	-	-	44,736	-	2,691
Short-term investments	97,541	-	-	-	103
Receivables, net of allowances:					
Taxes	-	65,737	3,238	-	-
Interest	989	-	2,198	-	495
Loans and notes	4,166	-	-	-	8,391
Other	78,074	17,140	4,293	5,783	9,520
Due from U.S. Government	64,423	-	-	-	235
Due from other Funds	254,138	-	-	-	86
Inventories, at cost	20,260	-	-	2,367	6,110
Other current assets	3,146	-	-	-	348
Total Current Assets	<u>798,794</u>	<u>685,467</u>	<u>106,387</u>	<u>43,688</u>	<u>106,446</u>
Noncurrent Assets:					
Restricted assets:					
Cash	18,560	-	-	-	-
Cash held by trustee	93,479	-	-	-	-
Investments	32,512	-	-	-	-
Investments held by trustee	189,199	-	-	-	-
Receivables, net of allowances:					
Loans and notes	27,975	-	-	-	15,660
Other	8,959	-	-	-	-
Investments	174,135	-	261,898	-	-
Endowment investments	234,168	-	-	-	-
Other noncurrent assets	11,275	-	-	8,330	-
Capital assets:					
Land and other non-depreciable	324,195	-	2,997	991	2,153
Buildings, equipment, and other depreciable, net of accumulated depreciation	3,034,786	-	16,300	2,797	20,394
Total Noncurrent Assets	<u>4,149,243</u>	<u>-</u>	<u>281,195</u>	<u>12,118</u>	<u>38,207</u>
Total Assets	<u>4,948,037</u>	<u>685,467</u>	<u>387,582</u>	<u>55,806</u>	<u>144,653</u>

The Notes to the Financial Statements are an integral part of this statement.

		GOVERNMENTAL	
<u>TOTAL</u>		<u>ACTIVITIES -</u>	
<u>ENTERPRISE</u>		<u>INTERNAL</u>	
<u>FUNDS</u>		<u>SERVICE FUNDS</u>	
\$	203,148	\$	732
	602,590		-
	187,441		128,417
	51,395		-
	47,427		-
	97,644		-
	68,975		-
	3,682		8
	12,557		-
	114,810		14,887
	64,658		2,200
	254,224		3,956
	28,737		2,747
	3,494		5,718
	<u>1,740,782</u>		<u>158,665</u>
	18,560		-
	93,479		-
	32,512		-
	189,199		-
	43,635		-
	8,959		-
	436,033		-
	234,168		-
	19,605		1,625
	330,336		548
	<u>3,074,277</u>		<u>71,916</u>
	<u>4,480,763</u>		<u>74,089</u>
	<u>6,221,545</u>		<u>232,754</u>

(Continued)

STATE OF ARIZONA
STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2009
 (Expressed in Thousands)

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	\$ 139,855	\$ -	\$ 4,309	\$ 4,532	\$ 6,763
Payable for securities purchased	-	-	5,878	-	-
Accrued liabilities	62,216	20,464	-	-	2,206
Obligations under securities loan agreements	-	-	44,736	-	2,691
Due to U.S. Government	-	10	-	-	-
Due to local governments	-	-	-	-	31
Due to others	18,863	45,792	-	31,930	-
Due to other Funds	-	198	-	8,645	1
Unearned deferred revenue	118,606	-	-	-	9,170
Current portion of accrued insurance losses	-	-	26,658	-	-
Current portion of long-term debt	94,982	-	-	-	83
Current portion of other long-term liabilities	14,097	-	-	308	791
Total Current Liabilities	<u>448,619</u>	<u>66,464</u>	<u>81,581</u>	<u>45,415</u>	<u>21,736</u>
Noncurrent Liabilities:					
Unearned deferred revenue	20,070	-	-	-	-
Contracts payable	-	-	-	-	13,985
Accrued insurance losses	-	-	351,862	-	-
Funds held for others	51,780	-	-	-	-
Long-term debt	2,227,576	-	-	-	226
Other long-term liabilities	54,833	-	-	-	240
Total Noncurrent Liabilities	<u>2,354,259</u>	<u>-</u>	<u>351,862</u>	<u>-</u>	<u>14,451</u>
Total Liabilities	<u>2,802,878</u>	<u>66,464</u>	<u>433,443</u>	<u>45,415</u>	<u>36,187</u>
NET ASSETS					
Invested in capital assets, net of related debt	1,283,335	-	19,297	3,788	22,238
Restricted for:					
Capital projects	3,578	-	-	-	-
Unemployment compensation	-	619,003	-	-	-
Debt service	27,293	-	-	-	-
University funds:					
Expendable	203,806	-	-	-	-
Nonexpendable	156,630	-	-	-	-
Loans and other financial assistance:					
Expendable	-	-	-	-	75,069
Other	-	-	-	-	20
Unrestricted (deficit)	<u>470,517</u>	<u>-</u>	<u>(65,158)</u>	<u>6,603</u>	<u>11,139</u>
Total Net Assets	<u>\$ 2,145,159</u>	<u>\$ 619,003</u>	<u>\$ (45,861)</u>	<u>\$ 10,391</u>	<u>\$ 108,466</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

The Notes to the Financial Statements are an integral part of this statement.

		GOVERNMENTAL	
TOTAL		ACTIVITIES -	
ENTERPRISE		INTERNAL	
FUNDS		SERVICE FUNDS	
\$	155,459	\$	80,192
	5,878		-
	84,886		1,441
	47,427		-
	10		-
	31		-
	96,585		-
	8,844		1,167
	127,776		-
	26,658		51,881
	95,065		2,594
	15,196		9,408
	<u>663,815</u>		<u>146,683</u>
	20,070		-
	13,985		-
	351,862		307,932
	51,780		-
	2,227,802		487
	55,073		104,309
	<u>2,720,572</u>		<u>412,728</u>
	<u>3,384,387</u>		<u>559,411</u>
	1,328,658		69,383
	3,578		-
	619,003		-
	27,293		-
	203,806		-
	156,630		-
	75,069		-
	20		-
	423,101		(396,040)
\$	<u>2,837,158</u>	\$	<u>(326,657)</u>
	<u>(46,193)</u>		
\$	<u>2,790,965</u>		

STATE OF ARIZONA
**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
OPERATING REVENUES					
Sales and charges for services:					
Student tuition and fees, net of scholarship allowances of \$251,177	\$ 880,989	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprises, net of scholarship allowances of \$12,011	324,675	-	-	-	-
Educational department	67,030	-	-	-	-
Lottery	-	-	-	484,486	-
Other	-	-	-	-	141,470
Unemployment assessments	-	268,809	-	-	-
Workers' compensation assessments	-	-	13,717	-	-
Intergovernmental	467,797	330,100	-	-	855
Nongovernmental grants and contracts	114,580	-	-	-	-
Licenses, fees, and permits	-	-	-	-	633
Earnings on investments	-	-	-	-	1,128
Fines, forfeitures, and penalties	-	2,050	-	-	-
Settlement Income	-	-	11,203	-	-
Other	31,409	18	-	551	1,368
Total Operating Revenues	<u>1,886,480</u>	<u>600,977</u>	<u>24,920</u>	<u>485,037</u>	<u>145,454</u>
OPERATING EXPENSES					
Cost of sales and benefits	774,721	1,086,330	24,387	332,135	95,515
Interest	-	-	-	-	1,877
Scholarships and fellowships	159,755	-	-	-	-
Personal services	2,031,987	-	-	6,107	27,423
Contractual services	-	-	-	16,081	8,392
Depreciation and amortization	214,156	-	1,305	356	1,969
Insurance	-	-	-	56	300
Other	-	-	-	3,073	5,612
Total Operating Expenses	<u>3,180,619</u>	<u>1,086,330</u>	<u>25,692</u>	<u>357,808</u>	<u>141,088</u>
Operating Income (Loss)	<u>(1,294,139)</u>	<u>(485,353)</u>	<u>(772)</u>	<u>127,229</u>	<u>4,366</u>
NON-OPERATING REVENUES (EXPENSES)					
Share of State sales tax revenues	58,528	-	-	-	-
Intergovernmental	186,469	-	-	-	-
Gifts and donations	164,636	-	-	-	-
Gain (loss) on sale of capital assets	(59)	-	-	-	191
Investment income (loss)	37,315	39,634	(17,920)	752	2,303
Endowment earnings on investments	(60,374)	-	-	-	-
Other non-operating revenue	10,118	-	1,790	-	400
Distributions to local governments	-	-	-	(38,142)	-
Interest expense	(93,760)	-	-	-	(49)
Other non-operating expense	(6,186)	-	(4,363)	-	(1,092)
Total Non-Operating Revenues (Expenses)	<u>296,687</u>	<u>39,634</u>	<u>(20,493)</u>	<u>(37,390)</u>	<u>1,753</u>
Income (Loss) Before Contributions, Special Item, Extraordinary Item, and Transfers	<u>(997,452)</u>	<u>(445,719)</u>	<u>(21,265)</u>	<u>89,839</u>	<u>6,119</u>
Capital grants and contributions	14,710	-	-	-	-
Contributions to permanent endowments	4,014	-	-	-	-
Special Item:					
Intergovernmental transfer of Sundome Center for the Performing Arts	7,240	-	-	-	-
Extraordinary Item:					
Insurance recovery, net of impairment loss	2,720	-	-	-	-
Transfers in	1,075,756	-	6,000	-	3,397
Transfers out	-	(8,274)	-	(90,938)	(2,935)
Change in Net Assets	<u>106,988</u>	<u>(453,993)</u>	<u>(15,265)</u>	<u>(1,099)</u>	<u>6,581</u>
Total Net Assets - Beginning	<u>2,038,171</u>	<u>1,072,996</u>	<u>(30,596)</u>	<u>11,490</u>	<u>101,885</u>
Total Net Assets - Ending	<u>\$ 2,145,159</u>	<u>\$ 619,003</u>	<u>\$ (45,861)</u>	<u>\$ 10,391</u>	<u>\$ 108,466</u>

Change in net assets of enterprise funds
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Change in net assets of business-type activities

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
\$ 880,989	\$ -
324,675	-
67,030	-
484,486	-
141,470	905,146
268,809	-
13,717	-
798,752	-
114,580	-
633	-
1,128	-
2,050	-
11,203	-
33,346	55
<u>3,142,868</u>	<u>905,201</u>
2,313,088	779,838
1,877	-
159,755	-
2,065,517	33,357
24,473	35,580
217,786	14,184
356	42,957
8,685	9,964
<u>4,791,537</u>	<u>915,880</u>
<u>(1,648,669)</u>	<u>(10,679)</u>
58,528	-
186,469	-
164,636	-
132	(104)
62,084	93
(60,374)	-
12,308	262
(38,142)	-
(93,809)	(168)
(11,641)	(281)
<u>280,191</u>	<u>(198)</u>
<u>(1,368,478)</u>	<u>(10,877)</u>
14,710	2,129
4,014	-
7,240	-
2,720	-
1,085,153	1,087
<u>(102,147)</u>	<u>(63,396)</u>
(356,788)	(71,057)
<u>3,193,946</u>	<u>(255,600)</u>
\$ <u>2,837,158</u>	\$ <u>(326,657)</u>
\$ (356,788)	
<u>(9,468)</u>	
\$ <u>(366,256)</u>	

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
			INDUSTRIAL		
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	COMMISSION SPECIAL FUND	LOTTERY	OTHER
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ -	\$ -	\$ -	\$ 249,898	\$ 140,527
Receipts from assessments	-	268,587	15,457	-	-
Receipts from student tuition and fees	861,623	-	-	-	-
Receipts from sales and services of auxiliary enterprises	319,920	-	-	-	-
Receipts from sales and services of educational departments	74,653	-	-	-	-
Receipts from interfund services / premiums	-	-	-	-	-
Receipts from grants and contracts	611,781	330,100	-	-	957
Receipts from student loans collected	9,341	-	-	-	-
Receipts from repayment of loans to local governments	-	-	-	-	14,067
Receipts from settlement income	-	-	11,203	-	-
Receipts from other Funds	-	-	-	-	33,900
Payments to suppliers, prize winners, claimants, insurance companies, or beneficiaries	(753,189)	(1,061,358)	(31,146)	(127,329)	(108,949)
Payments to employees	(2,033,295)	-	-	(6,129)	(27,593)
Payments to retirees	-	-	-	-	-
Payments for scholarships and fellowships	(152,502)	-	-	-	-
Payments for student loans issued	(6,277)	-	-	-	-
Payments for loans to local governments	-	-	-	-	(3,982)
Payments to other funds	-	-	-	-	(20,000)
Other receipts (payments)	31,370	2,068	-	10,542	(1,955)
Net Cash Provided (Used) by Operating Activities	(1,036,575)	(460,603)	(4,486)	126,982	26,972
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Custodial funds received	306,495	-	-	-	-
Office rental receipts	-	-	1,790	-	-
Share of State sales tax receipts	63,350	-	-	-	-
Grants and contributions received	925,992	-	-	-	-
Transfers from other Funds	783,274	-	6,000	-	3,396
Custodial funds disbursed	(288,837)	-	-	-	-
Grants and contributions disbursed	(557,209)	-	-	-	-
Distributions to local governments	-	-	-	(38,142)	-
Payments of interfund loans	-	-	-	-	(54,047)
Transfers to other Funds	-	(8,516)	-	(109,172)	(2,935)
Other receipts (payments)	25,133	-	(2,733)	-	(35)
Net Cash Provided (Used) by Non-capital Financing Activities	1,258,198	(8,516)	5,057	(147,314)	(53,621)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	558	-	-	-	2
Proceeds from capital debt, installment purchase contracts, and capital leases	399,874	-	-	-	-
Capital grants and contributions received	9,928	-	-	-	-
Transfers from other funds	34,625	-	-	-	-
Acquisition and construction of capital assets	(314,178)	-	(162)	(142)	(430)
Interest paid on capital debt, installment purchase contracts, and capital leases	(90,897)	-	-	-	(48)
Principal paid on capital debt, installment purchase contracts, and capital leases	(90,318)	-	-	-	(80)
Other receipts (payments)	-	-	(45)	-	400
Net Cash (Used) by Capital and Related Financing Activities	(50,408)	-	(207)	(142)	(156)

The Notes to the Financial Statements are an integral part of this statement.

		GOVERNMENTAL	
TOTAL		ACTIVITIES -	
ENTERPRISE		INTERNAL	
FUNDS		SERVICE FUNDS	
\$	390,425	\$	-
	284,044		-
	861,623		-
	319,920		-
	74,653		-
	-	902,496	
	942,838		-
	9,341		-
	14,067		-
	11,203		-
	33,900		-
	(2,081,971)	(841,953)	
	(2,067,017)	(32,897)	
	-	(11,040)	
	(152,502)	-	
	(6,277)	-	
	(3,982)	-	
	(20,000)	-	
	42,025	14	
	<u>(1,347,710)</u>	<u>16,620</u>	

	306,495		-
	1,790		-
	63,350		-
	925,992		-
	792,670	1,087	
	(288,837)	-	
	(557,209)	-	
	(38,142)	-	
	(54,047)	-	
	(120,623)	(63,396)	
	22,365	(278)	
	<u>1,053,804</u>	<u>(62,587)</u>	

	560	1,377	
	399,874	-	
	9,928	-	
	34,625	-	
	(314,912)	(8,913)	
	(90,945)	(166)	
		-	
	(90,398)	(2,797)	
	355	258	
	<u>(50,913)</u>	<u>(10,241)</u>	

(Continued)

STATE OF ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	UNIVERSITIES	UNEMPLOYMENT COMPENSATION	INDUSTRIAL COMMISSION SPECIAL FUND	LOTTERY	OTHER
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	338,311	-	232,295	-	-
Interest and dividends from investments	18,984	39,634	11,602	162	2,479
Change in cash collateral received from securities lending transactions	-	-	(3,074)	-	2,691
Purchase of investments	(554,373)	-	(227,729)	-	(4)
Other (payments)	-	-	(1,056)	-	(61)
Net Cash Provided (Used) by Investing Activities	<u>(197,078)</u>	<u>39,634</u>	<u>12,038</u>	<u>162</u>	<u>5,105</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(25,863)	(429,485)	12,402	(20,312)	(21,700)
Cash and Cash Equivalents - Beginning	413,959	1,032,075	84,256	55,850	102,858
Cash and Cash Equivalents - Ending	<u>\$ 388,096</u>	<u>\$ 602,590</u>	<u>\$ 96,658</u>	<u>\$ 35,538</u>	<u>\$ 81,158</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (1,294,139)	\$ (485,353)	\$ (772)	\$ 127,229	\$ 4,366
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	214,156	-	1,305	356	1,969
Interest expense	-	-	-	-	1,877
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	18,522	(7,038)	1,458	(20)	9,055
(Increase) decrease in due from U.S. Government	-	-	-	-	102
(Increase) decrease in due from other Funds	-	-	-	-	33,893
(Increase) decrease in inventories, at cost	(896)	-	-	1,147	944
(Increase) decrease in other assets	6,063	-	-	(582)	110
Increase (decrease) in accounts payable	(12,565)	-	(2,859)	1,195	3,618
Increase (decrease) in accrued liabilities	12,669	(464)	-	(2,343)	(7,097)
(Decrease) in due to U.S. Government	-	(265)	-	-	-
Increase in due to local governments	-	-	-	-	31
Increase in due to others	-	32,517	-	-	-
(Decrease) in due to other Funds	-	-	-	-	(19,999)
Increase (decrease) in deferred revenue	19,615	-	-	-	(1,922)
(Decrease) in accrued insurance losses	-	-	(3,618)	-	-
Increase in other liabilities	-	-	-	-	25
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,036,575)</u>	<u>\$ (460,603)</u>	<u>\$ (4,486)</u>	<u>\$ 126,982</u>	<u>\$ 26,972</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Gifts and conveyances of capital assets	\$ 1,995	\$ -	\$ -	\$ -	\$ -
(Loss) on disposal of capital assets, net	(3,203)	-	-	-	-
Change in fair value of investments	(21,611)	-	(30,206)	-	366
Unrealized loss on endowments	(20,350)	-	-	-	-
Amortization of bond discount and issuance costs	(2,300)	-	-	-	-
Amortization of bond premium	1,487	-	-	-	-
Intergovernmental transfer of capital assets	7,240	-	-	-	-
Amortization of deferred rent	4,900	-	-	-	-
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ (31,842)</u>	<u>\$ -</u>	<u>\$ (30,206)</u>	<u>\$ -</u>	<u>\$ 366</u>

The Notes to the Financial Statements are an integral part of this statement.

TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
570,606	-
72,861	91
(383)	-
(782,106)	-
(1,117)	-
<u>(140,139)</u>	<u>91</u>
(484,958)	(56,117)
<u>1,688,998</u>	<u>185,266</u>
<u>\$ 1,204,040</u>	<u>\$ 129,149</u>

\$ (1,648,669) \$ (10,679)

217,786	14,184
1,877	
21,977	(283)
102	(387)
33,893	(2,016)
1,195	847
5,591	(2,902)
(10,611)	(5,349)
2,765	480
(265)	-
31	-
32,517	-
(19,999)	(248)
17,693	-
(3,618)	(4,114)
25	27,087
<u>\$ (1,347,710)</u>	<u>\$ 16,620</u>

\$ 1,995	\$ 2,129
(3,203)	-
(51,451)	-
(20,350)	-
(2,300)	-
1,487	-
7,240	-
4,900	-
<u>\$ (61,682)</u>	<u>\$ 2,129</u>

STATE OF ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

(Expressed in Thousands)

	PENSION AND OTHER		
	EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUSTS	AGENCY FUNDS
ASSETS			
Cash	\$ 110,162	\$ -	\$ 28,017
Cash and pooled investments with State Treasurer	-	-	220,709
Prepaid benefits	566	-	-
Short-term investments	-	-	4,487
Receivables, net of allowances:			
Accrued interest and dividends	70,691	5,790	119
Securities sold	231,792	-	-
Forward contract receivable	562,074	-	-
Contributions	65,974	-	-
Court fees	833	-	-
Due from other Funds	2,537	-	-
Miscellaneous receivables	8,790	-	-
Total receivables	<u>942,691</u>	<u>5,790</u>	<u>119</u>
Due from others	-	-	80,168
Investments, at fair value:			
Temporary investments	1,166,821	-	-
Temporary investments from securities lending	3,422,623	-	-
U.S. Government securities	3,167,443	1,355,543	-
Corporate bonds	3,896,929	6,607	-
Corporate notes	-	535,044	-
Corporate stocks	16,494,304	-	-
Real estate mortgages and contracts	577,792	-	-
Collateral investment pool	820,815	114,534	-
Repurchase agreements	-	2,353,475	-
Money market mutual funds	-	14,492	-
Other investments	1,132,216	-	-
Total investments	<u>30,678,943</u>	<u>4,379,695</u>	<u>-</u>
Custodial securities in safekeeping	-	-	3,468,285
Other assets	-	-	8,816
Property and equipment, net of accumulated depreciation	4,901	-	-
Total Assets	<u>31,737,263</u>	<u>4,385,485</u>	<u>3,810,601</u>
LIABILITIES			
Accounts payable and other current liabilities	621,948	-	-
Payable for securities purchased	533,836	3,077	-
Obligation under securities loan agreements	4,243,438	114,534	-
Due to local governments	-	9,764	155,718
Due to others	-	-	3,654,883
Due to other Funds	2,537	-	-
Total Liabilities	<u>5,401,759</u>	<u>127,375</u>	<u>3,810,601</u>
NET ASSETS			
Held in trust for:			
Pension benefits	26,335,504	-	-
Pool participants	-	4,258,110	-
Total Net Assets	<u>\$ 26,335,504</u>	<u>\$ 4,258,110</u>	<u>\$ -</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Expressed in Thousands)

	PENSION AND OTHER	
	EMPLOYEE BENEFIT TRUST FUNDS	INVESTMENT TRUSTS
ADDITIONS:		
Member contributions	\$ 1,050,472	\$
Employer contributions	1,271,305	
Member purchase of service credit	77,562	
Court fees	8,000	
Investment income (loss):		
Net (decrease) in fair value		
of investments	(6,160,669)	(26,896)
Interest income	311,994	58,627
Dividends	382,347	-
Real estate	(175,091)	-
Other investment income	(56,619)	-
Securities lending income	34,481	30
Total investment income (loss)	(5,663,557)	31,761
Less investment expenses:		
Investment activity expenses	127,793	2,960
Securities lending expenses	32,780	24
Net investment income (loss)	(5,824,130)	28,777
Capital share and individual account transactions:		
Shares sold	-	7,151,059
Reinvested interest income	-	62,540
Shares redeemed	-	(7,848,043)
Net capital share and individual account transactions	-	(634,444)
Other additions	4,545	-
Total Additions	(3,412,246)	(605,667)
DEDUCTIONS:		
Retirement and disability benefits	2,576,454	-
Death benefits	30,378	-
Refunds to withdrawing members, including interest	143,343	-
Administrative expense	37,334	-
Dividends to investors	-	56,509
Other deductions	8,019	-
Total Deductions	2,795,528	56,509
Change in net assets held in trust for:		
Pension benefits	(6,207,774)	-
Pool participants	-	(662,176)
Net Assets - Beginning	32,543,278	4,920,286
Net Assets - Ending	\$ 26,335,504	\$ 4,258,110

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
 COMPONENT UNITS - PROPRIETARY FUNDS
 JUNE 30, 2009
 (Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY	TOTAL
ASSETS				
Current Assets:				
Cash	\$ -	\$ 4,589	\$ -	\$ 4,589
Cash and pooled investments with State Treasurer	82,840	-	6,130	88,970
Cash held by trustee	2,607	-	-	2,607
Collateral investment pool	2,470	-	-	2,470
Short-term investments	-	111,538	-	111,538
Restricted investments held by trustee	-	16,493	3,375	19,868
Receivables, net of allowances:				
Interest	12,444	17	5	12,466
Patient accounts receivable	-	85,343	-	85,343
Other	5,791	37,181	3,458	46,430
Inventories, at cost	-	12,576	-	12,576
Other current assets	-	3,829	2,694	6,523
Total Current Assets	<u>106,152</u>	<u>271,566</u>	<u>15,662</u>	<u>393,380</u>
Noncurrent Assets:				
Restricted investments held by trustee	-	72,303	6,597	78,900
Loans and notes receivable, net of allowances	992,641	-	-	992,641
Investments	97,118	-	-	97,118
Other noncurrent assets	4,254	15,375	33,396	53,025
Capital assets:				
Land and other non-depreciable	-	114,448	-	114,448
Buildings, equipment, and other depreciable	101	399,223	1,328	400,652
Less: accumulated depreciation	(101)	(244,121)	(1,157)	(245,379)
Total Noncurrent Assets	<u>1,094,013</u>	<u>357,228</u>	<u>40,164</u>	<u>1,491,405</u>
Total Assets	<u>1,200,165</u>	<u>628,794</u>	<u>55,826</u>	<u>1,884,785</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	-	51,193	5,072	56,265
Accrued liabilities	9,059	36,566	590	46,215
Obligations under securities loan agreements	2,470	-	-	2,470
Current portion of accrued insurance losses	-	4,736	-	4,736
Current portion of long-term debt	29,095	4,145	3,815	37,055
Current portion of other long-term liabilities	65	8,444	71	8,580
Total Current Liabilities	<u>40,689</u>	<u>105,084</u>	<u>9,548</u>	<u>155,321</u>
Noncurrent Liabilities:				
Unearned deferred revenue	2,336	-	-	2,336
Accrued insurance losses	-	10,385	-	10,385
Long-term debt	755,976	279,843	42,213	1,078,032
Other long-term liabilities	-	10,818	-	10,818
Total Noncurrent Liabilities	<u>758,312</u>	<u>301,046</u>	<u>42,213</u>	<u>1,101,571</u>
Total Liabilities	<u>799,001</u>	<u>406,130</u>	<u>51,761</u>	<u>1,256,892</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	35,708	171	35,879
Restricted for:				
Loans and other financial assistance	341,021	-	-	341,021
Other	-	21,113	-	21,113
Unrestricted	60,143	165,843	3,894	229,880
Total Net Assets	<u>\$ 401,164</u>	<u>\$ 222,664</u>	<u>\$ 4,065</u>	<u>\$ 627,893</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**
COMPONENT UNITS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	WATER INFRASTRUCTURE FINANCE AUTHORITY	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY	TOTAL
OPERATING REVENUES				
Sales and charges for services	\$ -	\$ 543,947	\$ 29,810	\$ 573,757
Intergovernmental	20,035	-	-	20,035
Licenses, fees, and permits	12,690	-	-	12,690
Earnings on investments	19,525	-	-	19,525
Total Operating Revenues	<u>52,250</u>	<u>543,947</u>	<u>29,810</u>	<u>626,007</u>
OPERATING EXPENSES				
Cost of sales and benefits	-	120,011	28,095	148,106
Interest on program loans	34,098	-	-	34,098
Personal services	1,262	245,634	-	246,896
Contractual services	787	98,227	-	99,014
Aid to local governments	916	-	-	916
Depreciation and amortization	-	23,593	32	23,625
Insurance	-	4,522	-	4,522
Other	5,457	30,783	1,506	37,746
Total Operating Expenses	<u>42,520</u>	<u>522,770</u>	<u>29,633</u>	<u>594,923</u>
Operating Income	<u>9,730</u>	<u>21,177</u>	<u>177</u>	<u>31,084</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	7,564	(14,431)	199	(6,668)
Interest expense	-	(6,650)	(117)	(6,767)
Other non-operating expense	-	(1,362)	-	(1,362)
Total Non-Operating Revenues (Expenses)	<u>7,564</u>	<u>(22,443)</u>	<u>82</u>	<u>(14,797)</u>
Income (Loss) Before Contributions	<u>17,294</u>	<u>(1,266)</u>	<u>259</u>	<u>16,287</u>
Capital grants and contributions	-	1,726	-	1,726
Change in Net Assets	17,294	460	259	18,013
Total Net Assets - Beginning	<u>383,870</u>	<u>222,204</u>	<u>3,806</u>	<u>609,880</u>
Total Net Assets - Ending	<u>\$ 401,164</u>	<u>\$ 222,664</u>	<u>\$ 4,065</u>	<u>\$ 627,893</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2009
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
ASSETS					
Cash and cash equivalent investments	\$ 5,919	\$ 51,237	\$ 291	\$ 19,769	\$ 77,216
Receivables:					
Pledges receivable	106,447	21,651	-	47,656	175,754
Other receivables	2,173	-	656	14,653	17,482
Total receivables	<u>108,620</u>	<u>21,651</u>	<u>656</u>	<u>62,309</u>	<u>193,236</u>
Investments:					
Investments in securities	378,525	306,968	48,247	106,087	839,827
Investments held in trust for Universities	53,065	28,288	-	4,069	85,422
Other investments	39,697	8,218	687	2,758	51,360
Total investments	<u>471,287</u>	<u>343,474</u>	<u>48,934</u>	<u>112,914</u>	<u>976,609</u>
Net direct financing leases	27,605	-	47,358	48,560	123,523
Property and equipment, net of accumulated depreciation	20,149	3,616	223,591	154,339	401,695
Licenses	-	-	-	5,559	5,559
Other assets	15,824	3,023	6,076	17,074	41,997
Total Assets	<u>649,404</u>	<u>423,001</u>	<u>326,906</u>	<u>420,524</u>	<u>1,819,835</u>
LIABILITIES					
Liability under Universities' endowment trust agreements	53,065	15,492	-	4,987	73,544
Bonds payable	81,352	-	351,376	228,746	661,474
Unearned revenue	4,178	-	24	28,906	33,108
Other liabilities	27,580	7,006	15,136	18,341	68,063
Total Liabilities	<u>166,175</u>	<u>22,498</u>	<u>366,536</u>	<u>280,980</u>	<u>836,189</u>
NET ASSETS					
Permanently restricted	343,943	281,265	-	40,499	665,707
Temporarily restricted	162,118	107,445	-	63,266	332,829
Unrestricted (deficit)	(22,832)	11,793	(39,630)	35,779	(14,890)
Total Net Assets	<u>\$ 483,229</u>	<u>\$ 400,503</u>	<u>\$ (39,630)</u>	<u>\$ 139,544</u>	<u>\$ 983,646</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	ARIZONA STATE UNIVERSITY FOUNDATION	UNIVERSITY OF ARIZONA FOUNDATION	ARIZONA CAPITAL FACILITIES FINANCE CORPORATION	OTHER COMPONENT UNITS	TOTAL
REVENUES					
Contributions	\$ 22,594	\$ 60,715	\$ -	\$ 20,264	\$ 103,573
Rental revenue	914	-	16,695	28,680	46,289
Sales and services	18,464	-	8,507	8,213	35,184
Net investment income	(75,587)	(73,652)	353	(12,976)	(161,862)
Capital lease revenue	-	-	-	113	113
Licensing revenue	-	-	-	2,309	2,309
Other revenues	5,040	9,292	4,026	7,753	26,111
Total Revenues	<u>(28,575)</u>	<u>(3,645)</u>	<u>29,581</u>	<u>54,356</u>	<u>51,717</u>
EXPENSES					
Program services:					
Payments to Universities	42,389	35,806	2,547	11,632	92,374
Leasing related expenses	-	-	-	8,883	8,883
Payments on behalf of Universities	-	12,130	-	6,348	18,478
Other program services	5,493	-	-	5,385	10,878
Personal services, operations, and administrative expenses	23,758	3,551	10,216	20,524	58,049
Fundraising expenses	-	5,401	-	3,422	8,823
Interest	2,236	-	13,629	9,199	25,064
Assets expensed under capital lease agreement	-	-	-	-	-
Depreciation and amortization	2,369	-	10,454	5,266	18,089
Other expenses	7,025	-	1,075	766	8,866
Total Expenses	<u>83,270</u>	<u>56,888</u>	<u>37,921</u>	<u>71,425</u>	<u>249,504</u>
Decrease in net assets, before extraordinary items	(111,845)	(60,533)	(8,340)	(17,069)	(197,787)
Extraordinary Items:					
Gain on lease revaluation due to bond refunding	-	-	1,394	-	1,394
Loss on early debt extinguishment	-	-	(3,442)	-	(3,442)
Decrease in net assets, after extraordinary items	(111,845)	(60,533)	(10,388)	(17,069)	(199,835)
Net Assets - Beginning	595,074	461,036	(29,242)	156,618	1,183,486
Cumulative effect of accounting change	-	-	-	(5)	(5)
Net Assets - Ending	<u>\$ 483,229</u>	<u>\$ 400,503</u>	<u>\$ (39,630)</u>	<u>\$ 139,544</u>	<u>\$ 983,646</u>

The Notes to the Financial Statements are an integral part of this statement.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the State of Arizona (the State) conform to U.S. Generally Accepted Accounting Principles (GAAP) applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

The State is a general purpose government. The accompanying financial statements present the activities of the State (the primary government) and its component units. Component Units' footnote disclosures are presented in Note 16 – *Discretely Presented Component Unit Disclosures*.

Component Units

Component units are legally separate entities for which the State is considered to be financially accountable, or organizations that raise and hold economic resources for the direct benefit of the State. Blended component units, although legally separate entities, are in substance, part of a government's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units of the State, except for component units affiliated with the State's Universities, are reported in separate columns in the government-wide financial statements to emphasize they are legally separate from the State. Because the component units affiliated with the Universities follow Financial Accounting Standards Board (FASB) statements, these financial statements have been reported on separate pages following the respective counterpart financial statements of the State. For financial reporting purposes, only the statement of financial position and the statement of activities for component units affiliated with the Universities are included in the State's financial statements, as required by the GASB.

GASB Statement No. 14, *The Financial Reporting Entity* has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

In addition, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASB 39) requires that legally separate, tax-exempt entities that meet *all* of the following criteria should be discretely presented as component units: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The State reports the following blended component units:

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer, defined benefit pension plan that benefits employees of the State, its political subdivisions, and school districts. The ASRS is administered in accordance with provisions of Arizona Revised Statutes (ARS) Title 38, Chapter 5, Articles 1, 2, and 2.1. The ASRS is governed by a nine-member board that is appointed by the Governor and approved by the Senate to serve three-year terms.

The Public Safety Personnel Retirement System (PSPRS) is an agent, multi-employer public employee retirement system that benefits fire fighters and police officers employed by the State and its political subdivisions. The PSPRS is jointly administered by the Fund Manager and 224 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4. The Fund Manager is a five-member board appointed by the Governor and approved by the Senate to serve a fixed three-year term. Each eligible group participating in the system has a five-member local board. In general, all members serve a fixed four-year term.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multi-employer public employee retirement plan that benefits all State and county elected officials and judges and certain elected city officials. The Fund Manager of the PSPRS administers the EORP plan according to the provisions of ARS Title 38, Chapter 5, Article 3.

The Corrections Officer Retirement Plan (CORP) is an agent, multi-employer public employee retirement plan that benefits county detention officers, certain employees of the State's Department of Corrections and Department of Juvenile Corrections,

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and judiciary, probation, surveillance and juvenile detention officers. The Fund Manager of the PSPRS administers the CORP plan according to the provisions of ARS Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained from the applicable plan's office or website at:

Arizona State Retirement System
P.O. Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2000 or (800) 621-3778
www.azasrs.gov

Public Safety Personnel Retirement System, Elected Officials' Retirement Plan or the Corrections Officer Retirement Plan
3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016
(602) 255-5575
www.psprs.com

The State reports the following discretely presented component units:

Governmental Fund:

Greater Arizona Development Authority (GADA) – The purpose of the GADA is to provide cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects. The GADA was created by an Act of the Arizona Legislature in 1997 and is a body, corporate and politic, of the State. The GADA is governed by a nine member Board of Directors consisting of four State of Arizona agency heads and five members, one of which shall be a representative of a tribal nation in Arizona, appointed by the Governor of the State. Members appointed by the Governor serve staggered five year terms. The GADA fund was originally capitalized with General Fund appropriations and requests for additional capitalization of the GADA must be approved by the Arizona Legislature. Complete financial statements may be obtained from the GADA's administrative office at 1700 West Washington Street, Executive Tower, Suite 600, Phoenix AZ 85007, (602) 771-1100.

Proprietary Funds:

University Medical Center (UMC) – The UMC is the primary teaching hospital for the College of Medicine, the College of Nursing, the College of Pharmacy, the College of Public Health, and the School of Health Related Professions of the University of Arizona (U of A). The UMC was created in 1984 when the State Legislature passed a bill that allowed the Arizona Board of Regents (ABOR) to convey the UMC to a private, not-for-profit, tax-exempt corporation. Although an autonomous entity was created, the teaching missions and research alliances with the U of A and the State remained. The ABOR confirms all members of the UMC's Board of Directors, and must approve all amendments to the UMC's articles of incorporation and bylaws. Complete financial statements may be obtained from the UMC's administrative offices at 655 East River Road, Tucson, Arizona 85704, (520) 694-2700.

Arizona Power Authority (APA) – The APA purchases the State's allocation of power produced at the federally owned Boulder Canyon Project hydropower plant and resells it to Arizona entities that are eligible purchasers under federal and state laws. The APA is governed by a commission of five members appointed by the Governor and approved by the Senate. The term of office of each member is six years and the members select a chairman and vice-chairman from among their membership for a term of two years. All revenue bonds issued by the APA must be approved by the State Certification Board. Complete financial statements may be obtained from the APA's administrative offices at 1810 West Adams Street, Phoenix, Arizona 85007, (602) 368-4265.

Water Infrastructure Finance Authority (WIFA) – The WIFA is authorized to administer the Clean Water Revolving Fund. The Clean Water Revolving Fund was created pursuant to the Federal Water Pollution Control Act, which required the State to establish the Clean Water Revolving Fund to accept federal capitalization grants for publicly owned wastewater treatment projects. The WIFA has also entered into an agreement with the Environmental Protection Agency to administer the Drinking Water Revolving Fund pursuant to the Safe Drinking Water Act. The WIFA is governed by a twelve-member board of directors.

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The ten Governor appointed directors serve staggered terms of five years and serve at the pleasure of the Governor. Complete financial statements may be obtained from the WIFA's administrative offices at 1100 West Washington Street, Suite 290, Phoenix, Arizona 85007, (602) 364-1324.

Component units of the State affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate boards of directors that meet the criteria established in GASB 39, with the exception of the Collegiate Golf Foundation, University Public Schools, Inc., and Campus Research Corporation (CRC). The Collegiate Golf Foundation and University Public Schools, Inc. are included because each is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship or close affiliation to the State. The CRC is included because the U of A approves the budget, thus fiscal dependency exists.

The following discretely presented component units affiliated with the Universities are reported as *major* component units of the State:

Arizona State University Foundation (ASU Foundation) – The ASU Foundation's resources are disbursed at the discretion of the Foundation's independent board of directors, in accordance with donor directions and Foundation policy.

Arizona Capital Facilities Finance Corporation (ACFFC) – The ACFFC provides facilities for either use by students of ASU or ASU itself.

University of Arizona Foundation (U of A Foundation) – The U of A Foundation supports the U of A through various fund-raising activities and contributes funds to the U of A in support of various programs.

The following discretely presented component units affiliated with the Universities are reported as *non-major* component units of the State:

Arizona State University Alumni Association, Sun Angel Foundation, and Sun Angel Endowment – These three foundations receive funds primarily through donations and dues, and contribute funds to ASU for support of various programs.

Arizona State University Research Park, Inc. (ASU Research Park) – ASU Research Park manages a research park to promote and support research activities in coordination with ASU.

Mesa Student Housing, LLC and Downtown Phoenix Student Housing, LLC – These foundations provide facilities for use by students of ASU.

Collegiate Golf Foundation – This foundation operates an ASU-owned golf course.

University Public Schools, Inc. (UPSI) – The UPSI operates a public school designed to be on the forefront of education innovation and improvement, with the goal of developing educational models that can be scaled across the State and nation to improve the academic achievement of children.

University of Arizona Alumni Association (U of A Alumni Association) – The U of A Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing, and encouraging them to advance the U of A's missions - teaching, research, and public service.

University of Arizona Law College Association (Law Association) – The Law Association was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships.

University of Arizona Campus Research Corporation (CRC) – The CRC was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park (Park) and related properties. The CRC currently leases from the U of A the remaining 67.00% of building space of the Park not leased to the Arizona Research Park Authority. The CRC is responsible for assisting in the development of the presently undeveloped portions of the Park and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The U of A is responsible for payment of operational expenses associated with the space occupied by the U of A departments, offices, and programs.

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Northern Arizona University Foundation, Inc. (NAU Foundation) – The NAU Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of NAU for advancement of its mission.

Northern Arizona Capital Facilities Finance Corporation (NACFFC) – The NACFFC was established for the purpose of acquiring, developing, constructing, maintaining, and operating student housing and other capital facilities and equipment for the use and benefit of NAU's students.

Complete financial statements for each of the aforementioned component units, except for the U of A Foundation, may be obtained at the following addresses:

ASU Foundation, ASU Alumni Association, Sun Angel Foundation, Sun Angel Endowment, ASU Research Park, Collegiate Golf Foundation, ACFFC, Mesa Student Housing, LLC, Downtown Phoenix Student Housing, LLC, and the UPSI – Arizona State University, Financial Services, P.O. Box 875812, Tempe, Arizona 85287-5812 or (480) 965-3601

The U of A Alumni Association – Alumni Association, University of Arizona, P.O. Box 210109, Tucson, Arizona 85721-0109

The Law Association – Law College Association, University of Arizona, P.O. Box 210176, Tucson, Arizona 85721-0176

CRC - University of Arizona Science and Technology Park, 9030 South Rita Road, Suite 302, Tucson, Arizona 85747

NAU Foundation and NACFFC – Northern Arizona University, Comptroller's Office, P.O. Box 4069, Flagstaff, Arizona 86011

The financial statements of the U of A Foundation are not publicly available. For information regarding the U of A Foundation's financial statements, contact the U of A Comptroller at the following address: University of Arizona, Financial Services, P.O. Box 3310, Tucson, Arizona 85722-3310.

Related Organizations

Related organizations are legally separate entities for which the State is not considered to be financially accountable, and that do not meet the criteria established by GASB 39. The State's accountability for these organizations does not extend beyond making the appointments, nor are the economic resources accessible to the State. As a result, financial activity for the organizations described below is not included in the State's financial statements.

Arizona Health Facilities Authority (the Authority) – ARS §36-482 established the Authority to issue tax-exempt bonds and loans for the purpose of reducing health care costs and improving health care for Arizona residents by providing less expensive financing for health care institutions. Proceeds from bond issues are loaned to various qualifying nonprofit health care institutions. The health care institutions reimburse the Authority for expenses for issuance of the bonds, pay fees of the Authority, and make payments under the loans for the benefit of the holders of the bonds. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve staggered terms of seven years, and can be removed for cause or at will by the Governor with the consent of the Senate. The State cannot abrogate the rights of the Authority until all bonds, together with the interest thereon, are fully paid and discharged and all agreements are fully performed.

Arizona International Development Authority (the Authority) – ARS §41-1533.01 established the Authority to facilitate the development of international trade or commerce between Arizona and other countries. The Authority is governed by a seven-member board of directors appointed by the Governor and approved by the Senate for five-year terms, and can be removed only for cause.

Arizona Sports and Tourism Authority (the Authority) – ARS §5-802 established the Authority to construct, finance, furnish, maintain, improve, operate, market, and promote the use of a multipurpose facility and do all things necessary or convenient to accomplish those purposes. The Authority may issue revenue bonds in such principal amounts to accomplish the above stated purposes. The Authority is governed by a nine-member board of directors of which five are appointed by the Governor and approved by the Senate and two members each by the President of the Senate and the Speaker of the House. The directors serve terms of five years, and may be re-appointed for one full subsequent term, and can be removed only for cause.

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Arizona Housing Finance Authority (the Authority) – ARS §41-3902 established the Authority to issue bonds for residential dwelling units and multifamily residential rental projects in rural areas. The Authority may also establish mortgage credit certificate programs to finance residential dwelling units in rural areas. The Authority is required to notify and obtain written consent from the governing bodies of any city, town, county, tribal government, or existing corporation for any multifamily residential rental projects planned for their jurisdiction. The Authority is governed by a seven-member board of directors that is appointed by the Governor and approved by the Senate. The directors serve terms of seven years, and can be removed only for cause.

State Compensation Fund (the Fund) – ARS §23-981 established the Fund to provide insurance to employers for workers' compensation, occupational disease compensation, and medical, surgical, and hospital benefits. The Fund is governed by a board of directors that consists of five members appointed by the Governor for staggered terms of five years. Annually, the Governor appoints a chairman from among the board members.

Joint Ventures

As described in Note 10, the U of A participates in a joint venture. In accordance with U.S. GAAP, the financial activities of this joint venture are not included in the State's financial statements.

B. BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the State as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The **Statement of Net Assets** presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or voter initiative.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the State's governmental activities, and its different business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function.

The State does not allocate indirect expenses to programs or functions.

Program revenues include:

- charges to customers or applicants for goods, services, privileges provided, and fines or forfeitures
- operating grants and contributions
- capital grants and contributions, including special assessments

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Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Interfund balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

Fund financial statements provide information about the State's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The State reports the following major governmental funds:

The General Fund – is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Transportation and Aviation Planning, Highway Maintenance and Safety Fund – accounts for all financial transactions applicable to the general operations of the Arizona Department of Transportation (ADOT). The ADOT builds and maintains the State's highway system and the Grand Canyon Airport.

The Land Endowments Fund – holds lands granted to the State by the Federal government for the benefit of public schools and other public institutions. Principal is maintained intact and investment earnings and lease revenues are distributed to beneficiaries in accordance with State statute.

The State reports the following major enterprise funds:

The Universities – account for transactions of the State's three universities, which comprise the State's university system.

Unemployment Compensation – pays claims for unemployment to eligible recipients from employer contributions and reimbursements.

The Industrial Commission Special Fund – accounts for deposits not to exceed 1.50% of all premiums received by the State Compensation Fund and private insurance carriers during the preceding calendar year. These monies are used to provide additional awards as necessary to enable injured employees to accept the benefits of any law for promotion of vocational rehabilitation of persons disabled in industry. In addition, benefits may be paid for workers' compensation claims filed by employees of non-insured employers. The Industrial Commission (Commission) then pursues against the non-insured employer for reimbursement of all benefits paid, including assessed penalties.

The Lottery – accounts for the activities of the Arizona State Lottery.

Additionally, the State reports the following fund types:

Internal Service Funds – account for insurance coverage, employee benefits, automotive maintenance and operation, highway equipment rentals, and data processing and telecommunication services provided to State agencies on a cost-reimbursement basis. It is the policy of the State to classify immaterial proprietary fund activities in governmental funds. This policy helps to reduce the number of funds reported in the financial statements to the minimum amount needed. These funds allocate a fixed rate payroll processing charge among all agencies, allocate postage and mailing costs among all agencies, or arrange for the sale of the State's office equipment and motorized vehicles at public auctions.

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Pension and Other Employee Benefit Trust Funds – account for the activities of the ASRS, the PSPRS, the EORP, and the CORP, for which the State acts as a trustee. These retirement and other post-employment benefit plans accumulate resources to pay pension, health insurance premium subsidies, and long-term disability benefits of State employees and employees of other governmental entities participating in the plans.

Investment Trust Funds – account for transactions by local governments and political subdivisions that elect to participate in the State Treasurer’s investment pools. The Treasurer acts as trustee for the original deposits made into the investment pools.

Agency Funds – account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, and payment of the health insurance subsidy by the PSPRS, the EORP, and the CORP, where the State acts as an agent for distribution to other governments and organizations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenues as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are collected within 31 days after year-end, except for State fiscal stabilization funds, which consider revenues to be available if collected within 90 days after year-end, and except for the Transportation and Aviation Planning, Highway Maintenance and Safety Major Fund, as well as certain non-major governmental funds administered by the ADOT, which consider revenues to be available if collected within 60 days after year-end. Those revenues susceptible to accrual are federal reimbursements, highway user revenue tax, and state sales tax. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the State funds certain programs through a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The State’s policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis.

The State’s business-type activities and enterprise funds follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The State has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

D. DEPOSITS AND INVESTMENTS

1. Cash and Cash Equivalents

On the Statement of Cash Flows, the amount reported as “Cash and Cash Equivalents” is equal to the total of the amounts on the Statement of Net Assets “Cash”, “Cash with U.S. Treasury”, “Cash and pooled investments with State Treasurer”, “Cash held by trustee” and “Collateral investment pool”. For purposes of the Statement of Cash Flows, the State considers only those highly liquid debt instruments with an original maturity of ninety days or less to be cash equivalents.

- *Cash (not with State Treasurer)* – includes undeposited receipts, petty cash, bank accounts, non-negotiable certificates of deposit, and demand deposits with banking institutions other than the State Treasurer.
- *Cash with U.S. Treasury* – consists of unemployment compensation contributions from Arizona employers that are deposited in a trust fund maintained by the United States Treasury.

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- *Cash and pooled investments with State Treasurer* – consists of a centralized management of most State cash resources maintained by the State Treasurer. From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the State Treasurer’s pooled investments are described in Note 2.
- *Cash held by trustee* – consists of capital projects and bond debt service funds invested by the trustee in accordance with the applicable financing indenture, generally limited to United States Treasury securities and other Federal agency securities, certificates of deposit, commercial paper, and money market funds.
- *Collateral investment pool* – consists of cash received as collateral on securities lending transactions and investments made with that cash. The State records the collateral received as an asset. A corresponding liability is also recorded for such securities lending transactions.

2. Investment Valuation

Investments maintained by the State Treasurer are reported at fair value using JP Morgan prices, as determined by independent, industry recognized data vendors who provide values that are either exchange based or matrix based. Equities are priced utilizing the primary exchange close price. In the absence of a closed price, the mid/bid price will be utilized. If no pricing source is available, the cost price or last available price from any source will be utilized. All bonds are priced using an evaluated price, the closing trade/bid price or the most recent mid/bid price, except securities with a remaining maturity of 90 days or less are priced at amortized cost (amortizing premium/accreting discount on a straight-line to maturity method). If no pricing source is available, the cost price or the last available price from any source will be utilized.

The ASRS’ publicly traded investments are reported at fair value determined by the custodial agents. The agents’ determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. The fair value of currency forward contracts is calculated by interpolating the spot rate and the forward rates based upon the number of days to maturity. Each future contract value is marked to market daily during the period that the contract is held. Private real estate, private equity, and opportunistic partnership investments are valued based on the partnership’s March 2009 financial statements adjusted for cash flows through June 30, 2009. Short-term investments are reported at cost plus accrued interest, which approximates fair value. For investments where no readily ascertainable fair value exists, the ASRS, in consultation with its investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment’s degree of risk. Security transactions and any resulting gains or losses are accounted for on a trade date basis. Net investment income (loss) includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, real estate, private equity and opportunistic investments income and total investment expense. This includes investment management, custodial fees, real estate, private equity and opportunistic investment expenses and all other significant investment related costs.

For the PSPRS, the EORP, and the CORP, investments are reported at fair value. Short term investments are reported at fair value, which approximates cost. Equity securities are valued at the last reported sales price. Fixed income securities are valued using the last reported sales price or the estimated fair market value as determined by the fixed income broker/dealers. Investments that do not have an established market are reported at estimated fair value. Directed real estate and venture capital investments are reported at fair value using appraisals to estimate the fair market value. Appraisals will be performed every three years on a rolling schedule unless circumstances warrant otherwise. Investment income is recognized as earned.

E. TAXES RECEIVABLE

Taxes receivable include amounts owed by taxpayers for prior periods including assessments for underpayments, penalties, and interest. In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting. The remainder is recorded as deferred revenues.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, and payments with final returns and assessments that relate to income earned through June 30, 2009. Sales and motor vehicle and fuel tax receivables represent amounts that are earned by the State in the fiscal period ended June 30, 2009, but not collected until the following month.

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F. INVENTORIES

Inventories consist of expendable supplies held for consumption in all funds and merchandise intended for sale to customers in the proprietary funds. Inventories are stated at cost using the first-in, first-out method, weighted average, or lower of cost or market. In the governmental funds, inventories are accounted for using the consumption method. Under this method, inventories are recorded as expenditures as they are used.

G. PROPERTY TAX CALENDAR

Real property taxes are levied on or before the third Monday in August and become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien attaches on the first day of January preceding assessment and levy.

H. CAPITAL ASSETS

Capital assets are stated at cost at the date of acquisition or, if donated, at the estimated fair market value at the date received. Interest incurred during the construction of capital assets is only capitalized in the proprietary funds.

Most capital assets are depreciated over their useful life. However, the State utilizes an alternative accounting treatment for most infrastructure assets in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information (RSI) portion of this report. The State has adopted a general policy for capitalization thresholds, depreciation, and estimated useful lives of capital assets. In addition, the State has approved alternative policies for some State agencies.

Depreciable capital assets are depreciated on a straight-line basis. Capitalization thresholds (the dollar values at which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets being depreciated in the government-wide financial statements and the proprietary funds are as follows:

Asset Category	General State Policy		Other Authorized Agency Policies	
	Capitalization Threshold	Estimated Useful Life (years)	Capitalization Threshold	Estimated Useful Life (years)
Land	All capitalized	Not depreciated	All capitalized	Not depreciated
Buildings	All capitalized	25-40	\$0-\$100,000	10-50
Improvements other than buildings	\$5,000	15	\$5,000-\$100,000	20-50
Equipment	\$5,000	3-15	\$5,000	3-25
Infrastructure	All capitalized	Not depreciated	\$0-\$100,000	20-100

The State is trustee for approximately 9.3 million acres of land acquired through U.S. Government land grants in the early 1900's. The State acquired a substantial portion of this land at no cost and its fair market value at acquisition has not been reliably estimated. Accordingly, this land is not reported in the accompanying financial statements.

The State has interest in and maintains significant special collections, works of art, and historical treasures. Except for Arizona State University (ASU), all special collections, works of art, and historical treasures which are held for financial gain are capitalized at fair market value at the date of acquisition or donation. Those special collections, works of art, and historical treasures which are held for educational, research, or public exhibition purposes are not capitalized, as they are not subject to disposal for financial gain or encumbrance. Such items are inventoried for property control purposes. ASU capitalizes all works of art and historical treasures with a unit cost of \$5,000 or more.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 4 and 7, respectively.

I. INVESTMENT EARNINGS

Investment earnings are composed of interest, dividends, and net changes in fair value of applicable investments.

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J. SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues earned by the three State Universities are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Fund Net Assets. A scholarship discount and allowance is the difference between the stated charge for goods and services provided and the amount that is paid by the student or third party making payment on behalf of the student. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the Universities are considered to be scholarship allowances. These allowances are netted against applicable revenues in the Statement of Revenues, Expenses and Changes in Fund Net Assets.

K. DEFERRED REVENUE

Deferred revenue consists of payments to the State for goods and services not yet rendered, or taxes, grants, and other non-exchange transactions for which related resources are not available to pay current liabilities. In the government-wide and proprietary fund financial statements, revenue is deferred when cash, receivables, or other assets are received prior to their being earned. In the governmental fund financial statements, revenue is deferred when that revenue is unearned or unavailable.

L. COMPENSATED ABSENCES

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as required by the GASB. In the governmental fund financial statements, liabilities for compensated absences are not accrued, because they are not considered due and payable.

In general, State employees accrue vested annual leave at a variable rate based on years of service. Except for uncovered State employees and University employees, an employee generally forfeits accumulated annual leave in excess of 240 hours as of the last day of the last pay period for a calendar year, unless the Director of the Department of Administration authorizes an exception. Uncovered State employees shall forfeit accumulated annual leave in excess of 320 hours as of the end of each calendar year, unless an exception is authorized. University employees may accumulate up to 264 hours of vacation, and any vacation hours in excess of the maximum amount that are unused at December 31 are forfeited. Except for University employees, an employee who separates from State service is paid for all unused and unforfeited annual leave at the employee's rate of pay at the time of separation. University employees, upon termination of employment, are paid all unused vacation benefits not exceeding 176 hours (annual accrual amount), depending on years of service and full-time equivalent employment status.

Some employees accumulate compensatory leave for time worked over 40 hours per week. An employee may accumulate up to 240 hours of compensatory leave (480 if working in a public safety activity or an emergency response activity). An employee who separates from State service is paid for all unused compensatory leave at either the employee's average base salary during the last three years of employment or final base salary, whichever is higher.

For sick leave policy, see Note 11.C.

M. LONG-TERM OBLIGATIONS

In the government-wide and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Amounts due within one year are reported as current liabilities, and amounts due thereafter are reported as non-current liabilities. Premiums and discounts on revenue bonds and COPs are deferred and amortized over the life of the debt instrument using the straight-line method. Bonds and COPs are reported net of the applicable premium or discount. Bond issuance costs and deferred gains or losses on debt refundings are charged to expense in the period incurred unless those costs are deemed to be material to the State's financial statements by management, in which case, they are deferred and amortized using either the straight-line method or the effective interest method.

In the fund financial statements, governmental fund types recognize proceeds from revenue bonds, COPs, and premiums and discounts on revenue bonds and COPs as other financing sources and uses in the current period. Long-term liabilities are more fully described in Note 7.

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N. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollutions remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care and nuclear power plant decommissioning. When an obligating event occurs, the State is required to accrue and report a pollution remediation obligation (PRO) for those components of the PRO which are reasonably estimable. Accordingly, the State has recorded a new PRO liability for soil and groundwater contaminations and releases of petroleum based products from underground storage tanks on non-State-owned property regulated by the Arizona Department of Environmental Quality, using the expected cash flow technique. PRO liabilities include all outlays at current value expected to be expended to remediate polluted sites. Additionally, the provisions of GASB 49 are required to be applied retroactively. Therefore, net assets as of June 30, 2008 would have been restated, however, the State's adoption of GASB 49 was not material to the financial statements for the governmental activities. The requirements of this Statement are effective for periods beginning after December 15, 2007.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The requirements of this Statement are effective for periods beginning after June 15, 2008. The State has implemented the requirements of this standard, but they had no material effect on the financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS AND INVESTMENT POLICIES

The State's deposits and investments are primarily under the control of the State Treasurer, the Retirement Systems, the Universities, and the Commission. These entities maintain the majority of the deposits and investments of the primary government. The investment policies of these organizations are defined according to State statutes or a governing board or both and are described below.

ARS §35-312, §35-313, and §35-314 authorize the State Treasurer to invest operating, trust, and permanent endowment fund monies. Monies deposited with the State Treasurer by State agencies are invested by the State Treasurer in a pooled fund. Any interest earned is allocated monthly into each respective fund based on average daily cash balances. There is no income from investments associated with one fund that is assigned to another fund.

The State statutes and the State Treasurer's investment policies designed to administer these statutes restrict investments to obligations of the U.S. Government and its agencies, obligations or other evidence of indebtedness of the State and certain local government subdivisions, negotiable certificates of deposit, bonds, debentures and notes issued by U.S. corporations, commercial paper issued by entities organized and doing business in the United States, bankers acceptances, collateralized repurchase agreements, money market mutual funds, domestic equities, and other securities. The State Treasurer is not allowed to invest in foreign investments.

The State Treasurer maintains external investment pools [the Local Government Investment Pool (LGIP), Local Government Investment Pool-Government, Local Government Investment Pool – Long Term, and the Central Arizona Water Conservation District]. The pools are not required to register (and are not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The activity and performance of the pools are reviewed monthly by the State Board of Investment in accordance with ARS §35-311. The fair value of investments is measured on a monthly basis. Participant shares are purchased and sold based on the Net Asset Value (NAV) of the shares. The NAV is determined by dividing the fair value of the portfolio by the total shares outstanding. The State Treasurer does not contract with an outside insurer in order to guarantee the value of the portfolio or the price of shares redeemed.

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During the year, the State agencies' and an external investment pool's share of the Lehman Brothers bond value of \$39.427 million was transferred to a new pool due to Lehman Brothers filing for Chapter 11 bankruptcy protection on September 15, 2008. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities. As of June 30, 2009, the fair value of the pool was \$5.819 million. The likelihood that these participant monies will be recovered is not known.

State statutes authorize the retirement systems to make investments in accordance with the "Prudent Person" rule. As such, investment management shall discharge the duties of their position with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a "prudent person" acting in enterprise of a like character and with like aims as that of the systems, subject to certain statutory limitations and restrictions.

The ASRS invests in short-term securities, obligations of the U.S. government or agencies of the U.S. government, corporate bonds, common and preferred stocks (domestic and foreign), mortgages, real estate, private equity and opportunistic investments. Per ARS §38-719, no more than 80.00% of the ASRS' total assets may be invested at any given time in corporate stocks or equity equivalents, based on cost value of the stocks or equity equivalents irrespective of capital appreciation. No more than 5.00% of the voting stock of any one corporation may be owned. No more than 30.00% of the ASRS' assets may be invested in foreign securities, and those investments shall be made only by investment managers with demonstrated expertise in such investments. No more than 10.00% of the ASRS' assets may be invested in bonds or other evidences of indebtedness of those multinational development banks in which the U.S. is a member nation, including the International Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank, and the Inter-American Development Bank. No more than 1.00% of the ASRS' assets may be invested in economic development projects authorized as eligible for such investment by the Arizona Department of Commerce. ARS §35-392 requires divestment from investments in companies that do business in Sudan, Iran, or other State Sponsors of Terrorism countries under certain conditions. Subject to the limitations noted above, the ASRS Board may authorize the ASRS Director to make investments that are designated by the ASRS Board and that do not exceed 50.00% of the assets of the investment account measured at cost. The ASRS Board has not formally adopted more restrictive policies for the various types of risks.

Per ARS §38-848, §38-803A(4), and §38-883A(4), the PSPRS, the EORP, and the CORP, respectively, may not invest at any given time more than 80.00% of the combined assets of the system or other plans that the fund manager manages in corporate stocks, based on cost value of such stocks irrespective of capital appreciation. In addition, the PSPRS, the EORP, and the CORP investments shall be restricted to stocks and exchange traded funds that, except for bank and insurance stocks and membership interests in limited liability companies, are either: 1) listed or approved on issuance for listing on an exchange registered under the Securities Exchange Act of 1934, as amended, 2) designated or approved on notice of issuance for designation on the national market system of a national securities association registered under the Securities Exchange Act of 1934, as amended, 3) listed or approved on issuance for listing on an exchange registered under the laws of this State or any other State, 4) listed or approved on issuance for listing on an exchange registered of a foreign country with which the U.S. is maintaining diplomatic relations at the time of purchase, except that no more than 20.00% of the combined assets of the system or other plans that the fund manager manages shall be invested in foreign securities, based on the cost value of the stocks irrespective of capital appreciation, or 5) an exchanged traded fund that is recommended by the chief investment officer of the system, that is registered under the Investment Company Act of 1940, and that is both traded on a public exchange and based on a publicly recognized index. Not more than 5.00% of the voting stock of any one corporation shall be owned by the system and other plans that the fund manager administers, except that this limitation does not apply to membership interests in limited liability companies.

The ABOR governs the investment policies of the Universities. The Universities are generally limited to investing their pooled operating funds in collateralized certificates of deposit and repurchase agreements, U.S. Treasury securities, Federal agency securities, investment grade corporate bonds, or in the LGIP administered by the State Treasurer. Investment of capital project funds is also governed by the financing indenture agreements. For endowment investments, ABOR policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university. The investment committee is responsible for advising on the definition, development, and implementation of investment objectives, policies, and restrictions. However, if donors restrict the investments, ABOR policy requires the University to invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

Per ARS §23-1065, the Commission's investment committee is responsible for prescribing investment policies and supervising the investment activities of the Commission. The Commission requires that their investment policy be responsive to the unpredictable nature of the incidence and severity of claims, the long periods over which losses may be paid, and the effect on both claims and losses of increases in treatment and rehabilitation costs. The investment committee may invest in any legal investment authorized under ARS §38-719.

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B. CUSTODIAL CREDIT RISK – DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. The State Treasurer, the Retirement Systems, and the Universities' deposits of State treasury monies with financial institutions are required by State statutes to be entirely covered by the Federal Depository Insurance Corporation (FDIC) or, alternatively, collateralized for amounts in excess of the amount insured. Surety collateral for the Universities and the Retirement Systems must be equal to at least 100.00% of the bank balance required to be collateralized (102.00% for the State Treasurer). Beyond this requirement, these organizations do not have a formal policy specifically addressing custodial credit risk on deposits, except for the State Treasurer. The State statutes require surety collateral for the State Treasurer to consist of U.S. Government obligations, State obligations, and obligations of counties and municipalities within the State. As of June 30, 2009, some State agencies have uncollateralized and uninsured deposits in the amount of \$535 thousand and \$4.815 million in deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the State's name.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The State does not have a formal policy in regards to custodial credit risk for investments. As of June 30, 2009, the State had \$61.323 million in securities that were uninsured, not registered in the State's name and held by a counterparty or a counterparty's trust department or agent but not in the State's name.

C. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State manages interest rate risk using the segmented time distribution, weighted average maturity, and effective duration methods.

The State Treasurer manages interest rate risk by incorporating ARS limitations into their investment policy and setting forth various thresholds or parameters in accordance with each investment pool's portfolio structure. The State Treasurer's policy provides either maturity or duration limitations for the various investment pools. The interest rate risk inherent in the portfolio is monitored monthly by measuring the weighted average maturity and/or duration.

The ASU policy for operating funds limits the maximum maturity of any fixed rate issue to five years. The capital projects funds portfolio is not limited as to the overall maturity of its investments, with funds invested per the financing indentures to coincide with capital spending needs and debt service requirements, which are typically less than three years, with the additional limitation that certificates of deposit and commercial paper have maximum maturities of 360 days and 270 days, respectively.

The Commission approves and contracts with different investment managers of fixed income equities in order to manage the exposure to interest rate risk with each different fund manager focusing on different goals of yield periods or duration of maturities of their particular portion of the investment pool.

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The following table presents the State Treasurer's, the ASU's, and the Commission's weighted average maturity in years by investment type (expressed in thousands):

Investment Type	Fair Value	Weighted Average Maturity (in years)
Bond mutual funds	\$ 8,109	9.30
Commercial mortgage backed securities	6,901	28.61
Commercial paper	314,731	0.13
Corporate asset backed securities	67,360	0.33
Corporate collateralized mortgage obligations	17,095	16.61
Corporate notes & bonds	1,601,702	3.55
Government bonds	6,876	10.86
Government mortgage backed securities	43,810	17.18
Index linked government bonds	8,734	4.60
Money market mutual funds	157,734	0.15
Repurchase agreements	3,614,477	0.02
U.S. agency securities	1,775,273	1.30
U.S. agency securities-full faith	15,344	0.77
U.S. agency mortgage backed securities	785,608	17.34
U.S. Treasury securities	1,243,636	0.92
Other	8,619	4.28
Total Debt Securities	\$ 9,676,009	2.52

The ASRS does not have a formal policy in regards to interest rate risk, but does manage interest rate risk using effective duration. Effective duration measures the expected change in value of a fixed income security for a given change in interest rate. This method takes into account the likely timing and amounts of variable cash flows for bonds with call options and prepayment provisions. The following table presents ASRS' effective duration by investment type (expressed in thousands):

Investment Type	Fair Value	Effective Duration (in years)
Asset backed securities	\$ 139,591	1.00
Collateralized mortgage obligations (CMOs) of government agencies	16,969	1.70
Commercial mortgage backed	458,816	3.30
Corporate bonds	1,735,814	3.60
Government agencies	564,510	5.00
Government bonds	659,902	5.00
Government mortgage backed	1,663,108	2.80
Non-government backed CMOs	196,804	6.00
Total Debt Securities	\$ 5,435,514	3.66

The PSPRS, the EORP, the CORP, and the NAU do not have a formal policy in regards to interest rate risk. The U of A's investment policy limits its operating funds to having a portfolio comprised of a significant proportion of authorized securities with maturities of one year or less, and requires that a maximum maturity of any fixed rate issue may not exceed five years and the final maturity of any floating rate issue may not exceed five years. The U of A capital projects and endowment funds have no such limitations.

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The following table presents the interest rate risk for the PSPRS, the EORP, the CORP, the NAU, the U of A, and other State agencies utilizing the segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)					
		Less than 1	1-5	6-10	11-15	16-20	More than 20
Corporate notes & bonds	\$ 1,363,034	\$ 3,207	\$ 89,867	\$ 306,916	\$ 69,929	\$ 192,155	\$ 700,960
Collateralized bond obligations (CBOs)	41,317	-	12,460	12,314	-	5,157	11,386
Collateralized debt obligations (CDOs)	1,119	-	-	1,118	-	1	-
Money market mutual funds	266,481	266,481	-	-	-	-	-
U.S. agency securities	433,274	32,050	144,724	73,346	13,789	121,793	47,572
U.S. Treasury securities	75,676	52,834	20,847	449	-	531	1,015
Other investments	21,361	5,292	1,955	8,534	193	1,063	4,324
Total Debt Securities	\$ 2,202,262	\$ 359,864	\$ 269,853	\$ 402,677	\$ 83,911	\$ 320,700	\$ 765,257

The following table presents the State's investments at fair value that are considered to be highly sensitive to interest rate changes (expressed in thousands):

Interest Rate Terms	Corporate Securities	U.S. Agency Securities	Total
The London Interbank Offered Rate (LIBOR) plus/minus fixed basis point which resets from monthly to quarterly.	\$ 810,057	\$ 266,120	\$ 1,076,177
Corporate asset backed securities with coupon tied to LIBOR plus/minus fixed basis point which resets monthly.	66,945	-	66,945
Mortgage backed securities - when interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminishes fair value.	-	830,678	830,678
Callable step-up notes - where on certain specified dates, the issuer can call the security. If the security is not called, the interest rate is increased by a specified amount. Prevailing interest rates may go up faster than this increase in the coupon interest rate.	-	65,377	65,377
Other securities with high sensitivity to rate changes.	-	125,437	125,437
Total	\$ 877,002	\$ 1,287,612	\$ 2,164,614

D. CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

The State statutes and the State Treasurer's investment policy require that commercial paper must be rated by at least two nationally recognized statistical rating organizations (NRSROs) and that the ratings assigned by at least two of the NRSROs be of the two highest rating categories for short-term obligations. Corporate bonds, debentures, and notes must carry a minimum Baa or better rating from Moody's Investor Service (Moody's) or a BBB or better rating from Standard and Poor's Rating Service (S & P). For investments not rated by Moody's, Fitch rating information is used. There is no statute or investment policy on ratings or credit quality for obligations issued by the U.S. Government or its agencies or repurchase agreements. The underlying securities for repurchase agreements must be explicitly guaranteed by the U.S. Government.

The ASRS has not adopted a formal policy with respect to credit risk.

The PSPRS, the EORP, and the CORP's investment policy is specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. The fixed income portfolio must have a minimum weighted average quality rating of A3 by Moody's and A- by S & P. Fixed income investments must have a minimum quality rating of Baa3 by Moody's and BBB- by S & P at the time of purchase. Commercial paper must have a minimum quality rating of P-1 by Moody's and A1 by S & P at the time of purchase. The portion of the bond portfolio in investments rated Baa3

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through Baa1 by Moody's and BBB- through BBB+ by S & P must be 20.00% or less of the fair value of the fixed income portfolio.

The Universities' policies mirror that of the ABOR, which requires that negotiable certificates of deposit, corporate bonds, debentures and notes, bankers acceptances, and State of Arizona bonds carry a minimum BBB or better rating by S & P or Baa or better rating by Moody's; and that commercial paper be rated by at least two NRSROs and must be of the two highest rating categories for short-term obligations of at least two of the NRSROs. Also, ASU's capital projects and bond debt service funds are invested by the bond trustee in accordance with the applicable financing indenture.

The Commission's investment policy requires that purchases of fixed income securities will consist of U.S. Treasury or Federal agency obligations or those bonds rated not less than Ba by Moody's or BB by S & P, except for fixed income managers who have been hired to manage funds in a specialized manner (high yield).

The following table presents the State's investments which were rated by S & P and/or an equivalent national rating organization as of June 30, 2009. The ratings are presented using S & P's rating scale (expressed in thousands):

Investment Type	Fair	AAA	AA	A	BBB	BB	B	CCC	A1	Not
	Value							Thru D		Rated
Asset backed securities	\$ 211,158	\$ 144,116	\$ 6,358	\$ 11,525	\$ 4,508	\$ 7,970	\$ 27,167	\$ 9,040	\$ -	\$ 474
Bond mutual funds	13,213	-	-	-	-	-	-	-	-	13,213
CBOs	41,317	-	-	23,273	12,460	-	-	-	-	5,584
CDOs	1,119	-	-	1,119	-	-	-	-	-	-
CMOs of government sponsored entities	16,969	16,291	-	-	-	-	678	-	-	-
Commercial mortgage backed securities	465,717	435,740	8,094	3,091	4,506	-	10,387	3,899	-	-
Commercial paper	19,988	-	-	-	-	-	-	-	19,988	-
Corporate notes & bonds	4,524,359	638,980	556,331	1,804,237	598,905	74,031	467,755	6,944	-	377,176
Government agencies	564,510	564,276	-	234	-	-	-	-	-	-
Government bonds	659,902	651,366	-	8,536	-	-	-	-	-	-
Government mortgage backed securities	1,698,250	1,698,250	-	-	-	-	-	-	-	-
Money market mutual funds	424,215	376,211	-	-	-	-	-	-	-	48,004
Non-government backed CMOs	213,899	69,550	27,455	8,324	3,822	4,872	47,673	51,980	-	223
U.S. agency mortgage backed securities	463,219	463,219	-	-	-	-	-	-	-	-
U.S. agency securities	1,942,791	1,261,265	-	5,076	-	-	-	-	676,337	113
Other investments	20,668	5,083	1,843	-	228	-	-	-	-	13,514
Total	\$ 11,281,294	\$ 6,324,347	\$ 600,081	\$ 1,865,415	\$ 624,429	\$ 86,873	\$ 553,660	\$ 71,863	\$ 696,325	\$ 458,301

E. CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State Treasurer's, the ASRS', ASU's, the U of A's, and the Commission's investment policies state that no more than 5.00% of their investments may be invested in securities issued by any one institution, agency, or corporation, other than securities issued as direct obligations of or are fully guaranteed by the U.S. Government or mortgage backed securities and agency debentures issued by federal agencies. The PSPRS', the EORP's, and the CORP's investment policy states that no more than 5.00% of the combined assets of the system or other plans that the fund manager manages shall be invested in corporate stock issued by any one corporation, other than corporate stock issued by corporations chartered by the U.S. government or corporate stock issued by a bank or insurance company. NAU has no formal policy in regards to concentration of credit risk. At June 30, 2009, more than 5.00% of the Governmental Activities' total investments were held in the following single issues (expressed in thousands):

Issuer Description	Fair Value	Percentage
Federal Home Loan Mortgage Corporation	\$ 475,902	8.64%
Federal National Mortgage Association	455,590	8.27%

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F. FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in the foreign exchange rate will adversely impact the fair value of an investment or deposit. The State does not have a formal policy regarding foreign currency risk. The ASRS is the primary State agency that has foreign currency risk. Per ARS §38-719, no more than 30.00% of the ASRS assets may be invested in foreign equity securities and those investments shall be made only by investment managers with demonstrated expertise in those investments. The ASRS has not adopted a formal policy that is more restrictive. The following table summarizes the State's foreign currency risk as of June 30, 2009 (expressed in thousands):

Currency	Foreign Currency Risk by Investment Type at Fair Value				
	Short Term	Fixed Income	Equities	Other Investments	Total
Australian Dollar	\$ 45,211	\$ -	\$ 56,301	\$ -	\$ 101,512
British Pound Sterling	40,124	2,516	450,605	3,346	496,591
Canadian Dollar	14,504	-	23,299	-	37,803
Chinese Yen	100	-	-	-	100
Czech Koruna	226	-	3,776	-	4,002
Danish Krone	825	-	18,233	-	19,058
Euro Currency	(21,913)	35,178	843,481	43,364	900,110
Hong Kong Dollar	8,035	-	93,429	35	101,499
Indonesian Rupian	4	-	-	-	4
Japanese Yen	84,665	-	558,600	-	643,265
Malaysian Ringit	-	-	689	-	689
New Mexican Peso	-	-	2,467	-	2,467
New Taiwan Dollar	-	-	3,651	-	3,651
New Zealand Dollar	(31,206)	-	6,799	-	(24,407)
Norwegian Krone	(501)	-	11,807	-	11,306
South African Rand	-	-	11,599	-	11,599
Singapore Dollar	3,241	-	18,370	-	21,611
South Korean Won	-	-	14,012	-	14,012
Swedish Krona	25,349	-	25,032	-	50,381
Swiss Franc	102,103	-	206,323	-	308,426
Thailand Baht	-	-	1,014	-	1,014
Various mutual funds	-	3,632	44,724	4,420	52,776
Total	\$ 270,767	\$ 41,326	\$ 2,394,211	\$ 51,165	\$ 2,757,469

G. UNEMPLOYMENT COMPENSATION

Pursuant to Section 904 of the Social Security Act (42 U.S.C. §1104), unemployment insurance contributions from Arizona employers are deposited in an unemployment trust fund account with the Secretary of the Treasury of the United States. The cash on deposit in the trust fund account is pooled and invested. Interest earned from investments purchased with such pooled monies is deposited in the trust fund account. The Unemployment Compensation Fund, reported as a major enterprise fund, has been established for this purpose.

H. SECURITIES LENDING

Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. A corresponding liability is also recorded for such securities lending transactions.

1. Industrial Commission

State statutes and the Commission's policies permit the Commission to enter into securities lending transactions with its custodial bank. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default

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losses to the securities lending agent. The custodial bank, Northern Trust, manages the securities lending operations through a contractual agreement with the Commission and splits the fees received with the Commission. There was no credit risk (i.e., lender's exposure to the borrowers of its securities) related to the securities lending transactions at June 30, 2009. Northern Trust's indemnification responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examinations Council regulations concerning securities lending. Securities are loaned for collateral that may include cash, U.S. Government securities, and irrevocable letters of credit. Domestic securities are loaned for collateral valued at 102.00% of the market value of securities loaned plus accrued interest. International securities are loaned for collateral valued at 105.00% of the market value of securities loaned plus accrued interest. The market value at June 30, 2009 for loaned securities collateralized by cash and non-cash collateral was \$43.631 million and \$0, respectively. As part of the securities lending transactions, Northern Trust received cash and non-cash collateral valued at \$44.736 million and \$0, respectively at June 30, 2009. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Deposit and investment risk disclosures are only reported for collateral received on securities lent.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the loans is 52 days and cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an average weighted maturity of 15 days as of June 30, 2009. Cash collateral may also be invested separately in term loans, in which case the investments match the loan term. Cash open loans can be terminated on demand by either the lender or the borrower and there were no dividends or coupon payments owing on securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month. Investments made with cash collateral received are classified as an asset on the Statement of Net Assets. A corresponding liability is recorded as the Commission must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2009, the Commission had \$44.736 million outstanding as payable for securities lending. A cap restriction on the amount of securities that can be out on loan at any one time of \$43.976 million was set by the Commission on September 29, 2008.

2. Arizona State Retirement System

The ASRS is permitted by ARS §38-715(D) (3), to enter into securities lending transactions. The ASRS' custodial bank enters into agreements with counterparts to loan securities and have the same securities redelivered at a later date. All securities are eligible for loan (U.S. fixed income securities, U.S. equities, and international equities) with a higher percentage of U.S. Treasuries on loan than most other security types. It is the policy of the ASRS to receive as collateral at least 102.00% of the market value of the loaned securities and maintain collateral at no less than 100.00% for the duration of the loan. At year-end, the ASRS has no credit risk exposure to borrowers because the amount the ASRS owes the borrowers exceeds the amount the borrowers owe the ASRS. The ASRS records the collateral received as an asset and the same amount as an obligation for securities on loan. Cash collateral received may be reinvested. The maturities of the investments are closely matched to those of the security loans to avoid interest rate exposure. The ASRS receives a spread for its lending activities. Investments made with cash collateral received are classified as an asset on the Statement of Fiduciary Net Assets. A corresponding liability is recorded as the ASRS must return the cash collateral to the borrower upon expiration of the loan. At June 30, 2009, the fair value of securities on loan was \$3.5 billion. Cash of \$3.4 billion received as collateral for securities loaned was reinvested and had a net asset value of \$3.4 billion, as of June 30, 2009. The securities lending payable at June 30, 2009 was \$3.4 billion. The ASRS does not have the ability to pledge or sell the collateral unless there is a borrower default. The ASRS is indemnified against gross negligence and borrower default by the lending agents.

3. Public Safety Personnel Retirement System, Elected Officials' Retirement Plan, and Corrections Officer Retirement Plan

The PSPRS, the EORP, and the CORP are permitted by ARS Title 38, Chapter 5, Articles 4, 3, and 6, respectively, to enter into securities lending transactions. The PSPRS, the EORP, and the CORP are parties to securities lending agreements with a bank. The bank, on behalf of the PSPRS, the EORP, and the CORP, enters into agreements with brokers to loan securities and have the same securities returned at a later date. The loans are fully collateralized, primarily by cash. Collateral is marked-to-market on a daily basis. Non-cash collateral can be sold only upon borrower default. The PSPRS, the EORP, and the CORP require collateral of at least 102.00% of the fair value of the loaned U.S. Government or corporate security. The PSPRS, the EORP, and the CORP have no credit risk because the amounts owed to the borrowers exceed the amounts the borrowers owe to the retirement system or plan. Securities on loan are carried at fair value. As of June 30, 2009, the fair values of securities on loan for the PSPRS, the EORP, and the CORP were \$617.673 million, \$38.842 million, and \$144.776 million, respectively. At June 30, 2009, the fair

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value of the associated collateral for the PSPRS, the EORP, and the CORP were \$632.722 million, \$39.598 million, and \$148.495 million, respectively. The PSPRS, the EORP, and the CORP are indemnified for broker default by the securities lending agent.

4. University of Arizona

During the fiscal year, the U of A elected not to participate in securities lending. This investment option remains available to the U of A.

I. DERIVATIVES

A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

- It has one or more underlyings and one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- Its terms require or permit net settlement, it can readily be settled net by means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

The principal categories of derivatives employed and their uses during the year were as follows:

Category	Purpose
Currency forward contracts	Hedge currency risk of investments denominated in foreign currencies.
Equities index futures contracts	Reduce transaction costs; obtain market exposure; enhance returns.

Derivatives are reported at fair value. The fair value of currency forward contracts is a calculated value, determined by interpolating the spot rate and the forward rates based upon number of days to maturity. Futures contracts on equity indexes trade daily and are settled the following trade day. The value of each contract is marked-to-market daily during the period that the contract is held. This value is determined by calculating the daily difference, called "margin," between the closing Bloomberg market price of the applicable contract(s) on the valuation date as compared to the prior day. The ASRS exchanges the daily per-contract margin, by the number of contracts held, with the counterparty brokerage firm with whom the ASRS transacts its equity index futures trading. The counterparty pays the total margin to the ASRS if the daily market value of the contract(s) rises; the ASRS pays the counterparty if the daily market value declines.

Generally, derivatives are subject to both interest rate risk and credit risk. The derivatives utilized by the ASRS internal investment managers typically have no greater interest rate risk than their physical counterparts, and in many cases, are offset by exposure elsewhere in the portfolio. As of June 30, 2009, the ASRS had \$814 thousand in temporary investments held as collateral for equity and fixed income derivatives which may have a positive or negative notional value.

The ASRS believes that it is unlikely that any of the derivatives used by its internal investment managers could have a material adverse effect on the financial conditions of the ASRS.

Refer to Note 7.A.3.c. for information on derivatives utilized by ASU.

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J. STATE TREASURER’S SEPARATELY ISSUED FINANCIAL STATEMENTS

The State Treasurer issues a separately published Annual Financial Report. The report provides additional information relating to the State Treasurer’s total investing activities, including the investment trust funds. A copy of the State Treasurer’s Office Annual Financial Report can be obtained from their office location or website at:

Arizona State Treasurer’s Office
 1700 W. Washington St.
 Phoenix, Arizona 85007
 (602) 604-7800 or (877) 365-8310
www.aztreasury.gov

The Treasurer’s financial statements are audited by the Office of the Auditor General.

NOTE 3. RECEIVABLES/DEFERRED REVENUE

A. TAXES RECEIVABLE

The following table summarizes taxes receivable at June 30, 2009 (expressed in thousands):

Type of Tax	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Unemployment Compensation Fund	Industrial Commission Special Fund	Non-Major Governmental Funds	Government-wide Total
Sales	\$ 451,624	\$ -	\$ -	\$ -	\$ 44,875	\$ 496,499
Income – individual and corporate	173,995	-	-	-	-	173,995
Motor vehicle and fuel	-	61,018	-	-	-	61,018
Luxury	7,115	-	-	-	19,721	26,836
Unemployment	-	-	65,737	-	-	65,737
Other	-	-	-	3,238	-	3,238
Gross taxes receivable	632,734	61,018	65,737	3,238	64,596	827,323
Allowance for uncollectible taxes	(198,089)	-	-	-	-	(198,089)
Net Taxes Receivable	<u>\$ 434,645</u>	<u>\$ 61,018</u>	<u>\$ 65,737</u>	<u>\$ 3,238</u>	<u>\$ 64,596</u>	<u>\$ 629,234</u>

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B. DEFERRED REVENUE

At June 30, 2009, the components of deferred revenue, in terms of revenue unavailable and unearned, were as follows (expressed in thousands):

Current Deferred Revenue for Governmental Funds:	<u>Unavailable</u>	<u>Unearned</u>	<u>Total Deferred Revenue</u>
General Fund:			
Delinquent sales tax	\$ 109,077	\$ -	\$ 109,077
Delinquent income tax	98,181	-	98,181
Tobacco settlement	59,140	-	59,140
Child support administrative reimbursements	4,219	-	4,219
Advance insurance premium taxes	-	44,762	44,762
Advance land lease payments	-	290	290
Public assistance overpayments	1,464	-	1,464
Vaccine & commodity food supplement	-	2,563	2,563
Advance county acute and long term care payments	-	16,231	16,231
Federal grants	263,234	-	263,234
Other	-	100	100
Transportation & Aviation Planning, Highway Maintenance & Safety Fund:			
Loans & notes receivable for asset purchases and construction	19,789	-	19,789
Land Endowments Fund:			
Land sales receivable	153,445	-	153,445
Land leases receivable	6,229	-	6,229
Advance land lease payments	-	17,152	17,152
Non-Major Funds:			
Public assistance overpayments	954	-	954
Advance payments for Hawaii/Arizona PMMIS Alliance	-	769	769
Other	-	38	38
Total Current Deferred Revenue for Governmental Funds	<u>715,732</u>	<u>81,905</u>	<u>797,637</u>
Noncurrent Deferred Revenue for Governmental Funds:			
General Fund:			
Advance land lease payments	-	5,134	5,134
Land Endowments Fund:			
Land sales receivable	603,598	-	603,598
Advance land lease payments	-	56,422	56,422
Total Noncurrent Deferred Revenue for Governmental Funds	<u>603,598</u>	<u>61,556</u>	<u>665,154</u>
Total Current and Noncurrent Deferred Revenue for Governmental Funds	<u>\$ 1,319,330</u>	<u>\$ 143,461</u>	<u>\$ 1,462,791</u>
Current Deferred Revenue for Proprietary Funds:			
Universities:			
Unexpended cash advances received		\$ 44,721	
Auxiliary sales and services		6,089	
IBM lease related to acquisition of research park		4,900	
Student tuition and fees		59,373	
Deposits		1,357	
Other		2,166	
Non-Major Funds:			
Policyholders' advance premiums		6,036	
Magazine subscriptions		2,614	
Other		520	
Total Current Deferred Revenue for Proprietary Funds		<u>\$ 127,776</u>	
Noncurrent Deferred Revenue for Proprietary Funds:			
Universities:			
IBM lease related to acquisition of research park		\$ 20,070	
Total Noncurrent Deferred Revenue for Proprietary Funds		<u>\$ 20,070</u>	

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NOTE 4. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2009 were as follows (expressed in thousands):

	Primary Government				
	Beginning Balance	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 2,513,888	\$ 92,260	\$ (48,715)	\$ (55,394)	\$ 2,502,039
Construction in progress	2,719,856	1,120,660	(552,274)	(5,919)	3,282,323
Infrastructure	10,101,408	533,372	(2,991)	-	10,631,789
Total Non-depreciable Capital Assets	15,335,152	1,746,292	(603,980)	(61,313)	16,416,151
Depreciable capital assets:					
Buildings	1,709,900	28,243	1,119	8,545	1,747,807
Improvements other than buildings	136,246	795	(18)	5,225	142,248
Equipment	772,238	34,660	(52,574)	6,496	760,820
Infrastructure	7,118	2	-	8,201	15,321
Total Depreciable Capital Assets	2,625,502	63,700	(51,473)	28,467	2,666,196
Less accumulated depreciation for:					
Buildings	(546,719)	(46,259)	(1,350)	2,765	(591,563)
Improvements other than buildings	(71,312)	(3,947)	3	638	(74,618)
Equipment	(536,436)	(67,885)	50,917	3,702	(549,702)
Infrastructure	(4,450)	(336)	-	(2,121)	(6,907)
Total Accumulated Depreciation	(1,158,917)	(118,427)	49,570	4,984	(1,222,790)
Total Depreciable Capital Assets, Net	1,466,585	(54,727)	(1,903)	33,451	1,443,406
Total Governmental Activities Capital Assets, Net	\$ 16,801,737	\$ 1,691,565	\$ (605,883)	\$ (27,862)	\$ 17,859,557
	Beginning Balance (As restated)	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Business-type Activities:					
Non-depreciable capital assets:					
Land	\$ 166,613	\$ 17,152	\$ (2,365)	\$ -	\$ 181,400
Construction in progress	125,230	141,491	(11,359)	(124,308)	131,054
Collections	15,853	2,064	(35)	-	17,882
Total Non-depreciable Capital Assets	307,696	160,707	(13,759)	(124,308)	330,336
Depreciable capital assets:					
Buildings	3,701,943	72,288	(4,217)	107,622	3,877,636
Improvements other than buildings	4,811	-	-	-	4,811
Equipment	1,282,525	96,553	(33,214)	(249)	1,345,615
Infrastructure	346,268	4,259	(53)	16,934	367,408
Total Depreciable Capital Assets	5,335,547	173,100	(37,484)	124,307	5,595,470
Less accumulated depreciation for:					
Buildings	(1,330,804)	(116,342)	1,764	(69)	(1,445,451)
Improvements other than buildings	(2,501)	(188)	-	1	(2,688)
Equipment	(882,621)	(89,264)	28,193	68	(943,624)
Infrastructure	(117,449)	(11,992)	11	-	(129,430)
Total Accumulated Depreciation	(2,333,375)	(217,786)	29,968	-	(2,521,193)
Total Depreciable Capital Assets, Net	3,002,172	(44,686)	(7,516)	124,307	3,074,277
Total Business-type Activities Capital Assets, Net	\$ 3,309,868	\$ 116,021	\$ (21,275)	\$ (1)	\$ 3,404,613

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The capital assets beginning balance for business-type activities has been restated by \$11.989 million to correct ASU's building assets related to a capital lease with one of ASU's affiliated component units, which was offset by the fund held for others liability, therefore the restatement did not impact the business-type activities.

Depreciation expense was charged to governmental functions as follows (expressed in thousands):

General government	\$ 22,338
Health and welfare	16,192
Inspection and regulation	1,769
Education	844
Protection and safety	51,652
Transportation	17,460
Natural resources	8,172
Total Governmental Activities	<u>\$ 118,427</u>

Depreciation expense was charged to business-type activities as follows (expressed in thousands):

Lottery	\$ 356
Industrial Commission Special Fund	1,305
Universities	214,156
Other	1,969
Total Business-type Activities	<u>\$ 217,786</u>

NOTE 5. PENSION BENEFITS

The State participates in the ASRS, the PSPRS, the EORP, and the CORP. Benefits are established by State statutes and provide retirement, death, and survivor benefits to State employees, public school employees and employees of counties, municipalities, and other State political subdivisions.

A. PARTICIPATING EMPLOYERS

The number of participating government employers as of June 30, 2009 is shown below:

Employer	ASRS	PSPRS	EORP	CORP
Cities and towns	78	143	21	1
Counties and county agencies	15	21	15	14
State	1	1	1	1
Special districts	94	59	-	-
School districts	242	-	-	-
Charter schools	156	-	-	-
Community college districts	10	-	-	-
Dispatchers	-	-	-	8

B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS

For the ASRS, contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Pension benefit and refund payments are recognized when due and payable in accordance with the terms of the plan.

For the PSPRS, the EORP, and the CORP, member and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Pension benefits are recognized when due and payable in accordance with the terms of the plan. Refunds are due and payable by state law within 20 days of receipt of a written application for a refund. Refunds are recorded when paid.

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C. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the ARS. These contribution requirements may be amended by the Arizona State Legislature.

Cost-sharing plans

For the year ended June 30, 2009, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 8.95% and 7.99% of the members' annual covered payroll, respectively. The State's contributions to the ASRS for the years ended June 30, 2009, 2008, and 2007 were \$155.820 million, \$162.121 million, and \$142.382 million, respectively, for the primary government which were equal to the required contributions for these years.

In addition, active EORP members were required by statute to contribute 7.00% of the members' annual covered payroll. The State was required to contribute a designated portion of certain fees collected by the Supreme Court plus additional contributions of 26.00% of the members' annual covered payroll, as determined by actuarial valuation. The State's contributions to EORP for the years ended June 30, 2009, 2008, and 2007 were \$2.830 million, \$2.230 million, and \$1.789 million, respectively, which were equal to the required contributions for these years.

Agent plans

For the year ended June 30, 2009, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 13.02 - 48.33%. Active CORP members were required by statute to contribute 8.41% of the members' annual covered payroll and the participating State agencies were required to contribute at actuarially determined rates of 7.48 - 7.85%.

D. ANNUAL PENSION COST

The State's annual pension costs, required contributions, and excess other post-employment benefit (OPEB) contributions applied to pensions (see Note 6.A. and B. for explanation) for each of the agent, multiple-employer defined benefit pension plans for the year ended June 30, 2009, is as follows (expressed in thousands):

	Annual Pension Costs	Pension Contributions Made	
		Required Contributions	Excess OPEB Contributions
PSPRS	\$ 30,588	\$ 30,588	\$ 674
CORP	35,022	35,022	2,188

The State's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension for the current and preceding year follows for each of the agent, multiple-employer defined benefit pension plans. The year ended June 30, 2007, contains both pension and OPEB information. (expressed in thousands)

	Fiscal Year Ended	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension
PSPRS	6/30/09	\$ 30,588	102%	\$ 1,274
	6/30/08	25,879	102%	600
	6/30/07	19,993	100%	-
CORP	6/30/09	35,022	106%	4,791
	6/30/08	26,405	110%	2,603
	6/30/07	17,494	100%	-

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E. FUNDED STATUS AND FUNDING PROGRESS

The State's funded status for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuation, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2009	\$ 564,000	\$ 857,854	\$ (293,854)	65.7%	\$ 99,558	(295.2)%
CORP	6/30/2009	806,941	910,317	(103,376)	88.6%	373,674	(27.7)%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. ACTUARIAL METHODS AND ASSUMPTIONS

The State's actuarial methods and significant assumptions for each of the agent, multiple-employer defined benefit pension plans for the most recent actuarial valuation as of 6/30/09 and actuarial valuation as of 6/30/07 that was used to determine the fiscal year 2009 annual required contribution are as follows:

	PSPRS	CORP	PSPRS	CORP
Actuarial valuation date	6/30/07	6/30/07	6/30/09	6/30/09
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit	projected unit credit
Actuarial assumptions:				
Investment rate of return	8.50%	8.50%	8.50%	8.50%
Projected salary increases includes inflation at	5.50 – 8.50%	5.50 – 8.50%	5.50 – 8.50%	5.50 – 8.50%
Cost-of-living adjustments	5.00%	5.00%	5.50%	5.50%
Amortization method	None	None	None	None
Remaining amortization	level percent closed for unfunded actuarial accrued liability, open for excess 29 years for unfunded actuarial accrued liability, 20 years for excess	level percent closed for unfunded actuarial accrued liability, open for excess 29 years for unfunded actuarial accrued liability, 20 years for excess	level percent-of-pay closed 27 years for unfunded actuarial accrued liability, 20 years for excess	level percent-of-pay closed 27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	smoothed market value	smoothed market value	7-year smoothed market	7-year smoothed market

G. UNIVERSITIES' RETIREMENT PLANS

Faculty, academic professionals, service professionals, and administrative staff at the three universities (the ASU, the NAU, and the U of A) may select one of four retirement plans: the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Services Company (Fidelity), or the ASRS. The ASRS is a defined benefit plan and the other three plans are defined contribution plans. The three defined contribution plans are administered by independent insurance and annuity companies approved by the ABOR. In addition, the U of A employees hired before July 1, 1972, have the option to participate in the defined contribution plan administered by the ASRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contributions made by employees vest immediately and the Universities' contributions vest no later than after five years of full-time employment. Employees and Universities' contributions and associated returns earned on investments may be withdrawn starting upon termination of employment, death, or retirement. The distribution of employee contributions and associated investment earnings are made in accordance with the employee's contract with the applicable insurance and annuity

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company. Universities' contributions and associated investment earnings must be distributed to the employee in the form of an annuity paid over the employee's life.

The Arizona State Legislature establishes and may amend active plan members' and the Universities' contribution rates. For the year ended June 30, 2009, plan members and the three Universities were each required by statute to contribute an amount equal to 7.00% of an employee's compensation, except for a 7.50% member contribution and an 8.46% University contribution for the ASRS defined contribution plan.

Contributions to these plans for the year ended June 30, 2009, were as follows (expressed in thousands):

Plan	University Contributions	Employee Contributions	Total Contributions
TIAA/CREF	\$ 29,903	\$ 29,903	\$ 59,806
VALIC	2,917	2,917	5,834
Fidelity	13,464	13,464	26,928
ASRS	33	29	62

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

Cost-sharing plans

In addition to the pension benefits described, the ASRS provides health insurance premium supplemental benefits and disability benefits to retired members, disabled members, and eligible dependents through the Health Benefit Supplement Fund (HBS) and the Long Term Disability Fund (LTD), which are cost-sharing, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the ARS assigns the authority to establish and amend the benefit provisions of the HBS plan and the LTD plan to the Arizona State Legislature. The ASRS issues a publicly available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan. Information on how to obtain this report is included in Note 1.A.

The EORP, by statute, is a cost-sharing, multiple employer plan. However, because of its statutory structure, in accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, paragraphs 5 and 41, the EORP's health insurance premium subsidy benefit (OPEB) is reported for such purposes as an agent, multiple-employer plan. Information on how to obtain the EORP's publicly available financial report is included in Note 1.A. However, the EORP's OPEB benefit is relatively insignificant to the State's financial statements and, therefore, is not further described in these notes or the RSI that follows.

Agent plans

In addition to pension benefits described, the PSPRS and the CORP each offer a health insurance premium subsidy benefit to retired members and survivors, which are agent, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the ARS assigns the authority to establish and amend the health insurance subsidy benefit provisions to the Arizona State Legislature. The PSPRS and the CORP do not administer a separate healthcare plan as defined under IRC § 401(h) or an equivalent agreement. In addition, the PSPRS and the CORP are not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefits payments. Therefore, in accordance with GASB Statement No. 43, the health insurance subsidy benefit is reported as an agency fund. There are no accumulated assets or liabilities, only contributions and benefit distributions are presented in these funds. All assets of the PSPRS and the CORP are available to pay both pension benefits and the health insurance subsidy benefits. The PSPRS and the CORP each issue publicly available financial reports that include the financial information and disclosure requirements for the health insurance subsidy benefits. Information on how to obtain these reports is included in Note 1.A.

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B. CONTRIBUTIONS, BENEFITS, AND REFUND PAYMENTS

Cost-sharing plan

The ASRS recognition of contributions for the HBS plan and the LTD plan are the same as the pension benefit in Note 5.B. Benefit and refund payments are recognized when due and payable in accordance with the terms of the HBS plan and LTD plan.

Agent plans

The PSPRS and the CORP recognition of employer contributions and refunds for the health insurance subsidy benefit are the same as the pension benefit in Note 5.B. Contributions in excess of the health insurance subsidy payments are reported as excess pension contributions in the pension benefit plan. Health insurance subsidy benefits are recognized when due and payable in accordance with the terms of the plan.

C. FUNDING POLICY

The contribution requirements of plan members and the State are established by Title 38, Chapter 5 of the ARS. These contribution requirements are established and may be amended by the Arizona State Legislature.

Cost-sharing plan

For the year ended June 30, 2009, active ASRS members and the State were each required by statute to contribute at the actuarially determined rate of 0.50% of the members' annual covered payroll for LTD. In addition, the State also contributed 0.96% for the HBS. The State's contributions for LTD to the ASRS for the years ended June 30, 2009, 2008, and 2007 were \$9.751 million, \$10.070 million, and \$9.429 million, respectively, for the primary government which were equal to the required contributions for these years. The State's contributions for the HBS to the ASRS for the years ended June 30, 2009, 2008, and 2007 were \$18.722 million, \$21.146 million, and \$19.802 million, respectively, for the primary government which were equal to the required contributions for these years.

Agent plans

For the year ended June 30, 2009, the PSPRS participating State agencies were required to contribute at actuarially determined rates of 1.21 - 4.48% of covered payroll. The CORP participating State agencies were required to contribute at actuarially determined rates of 0.94 - 1.05% of covered payroll.

D. ANNUAL OPEB COST

The State's annual OPEB costs, OPEB contributions made, and increase in OPEB obligation for each of the agent, multiple-employer defined benefit post-employment plans for the year ended June 30, 2009, is as follows (expressed in thousands):

	Annual OPEB Costs	OPEB Contributions Made	Increase in OPEB Obligation
PSPRS	\$ 2,401	\$ 1,727	\$ 674
CORP	3,918	1,730	2,188

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding year follows for each of the agent, multiple-employer defined benefit post-employment plans. Information for the last year of the required trend information will be reported next year when it becomes available. (expressed in thousands)

	Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
PSPRS	6/30/09	\$ 2,401	71.9%	\$ 1,274
	6/30/08	2,350	74.5%	600
CORP	6/30/09	3,918	44.2%	4,791
	6/30/08	4,301	39.5%	2,603

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E. FUNDED STATUS AND FUNDING PROGRESS

The State's funded status for each of the agent, multiple-employer defined benefit post-employment plans, as of the year ended June 30, 2009, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as Percentage of Covered Payroll
PSPRS	6/30/2009	-	\$ 26,141	\$ (26,141)	0.0%	\$ 99,558	(26.3)%
CORP	6/30/2009	-	43,951	(43,951)	0.0%	373,674	(11.8)%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The State's actuarial methods and significant assumptions for each of the agent, multiple-employer defined benefit post-employment plans for the most recent actuarial valuation as of 6/30/09 and actuarial valuation as of 6/30/07 that was used to determine the fiscal year 2009 annual required contribution are as follows:

	PSPRS 6/30/07	CORP 6/30/07	PSPRS 6/30/09	CORP 6/30/09
Actuarial valuation date	6/30/07	6/30/07	6/30/09	6/30/09
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit	projected unit credit
Actuarial assumptions:				
Investment rate of return	8.50%	8.50%	8.50%	8.50%
Projected salary increases includes inflation at	5.50 – 8.50%	5.50 – 8.50%	5.50 – 8.50%	5.50 – 8.50%
Cost-of-living adjustments	5.00%	5.00%	5.50%	5.50%
Amortization method	None	None	None	None
	level percent closed for unfunded actuarial accrued liability, open for excess	level percent closed for unfunded actuarial accrued liability, open for excess	level percent-of-pay closed	level percent-of-pay closed
Remaining amortization	29 years for unfunded actuarial accrued liability, 20 years for excess	29 years for unfunded actuarial accrued liability, 20 years for excess	27 years for unfunded actuarial accrued liability, 20 years for excess	27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	not applicable	not applicable	not applicable	not applicable

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NOTE 7. LONG-TERM OBLIGATIONS

A. REVENUE BONDS

Governmental Activities

1. Arizona Department of Transportation

The ADOT has issued Senior and Subordinated Lien Highway Revenue Bonds to provide funds for acquisition of right-of-way, design, and construction of federal, state, and local highways. The original amount of Highway Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$1.6 billion. During the year, Highway Revenue Bonds totaling \$181.050 million were issued to finance portions of the ADOT's Five Year Transportation Facilities Construction Program and pay the costs of issuing the bonds.

The Highway Revenue Bonds are secured by a prior lien on and a pledge of motor vehicle and related fuel fees and taxes. On September 21, 2006, House Bill 2206 became effective and eliminated the restriction that limited the principal amount of the Highway Revenue Bonds that could be outstanding at any time to 1.3 billion. Also during fiscal year 2007, the ADOT received legislative authority to begin issuing Highway Revenue Bonds with maturities of up to 30 years in length, replacing the 20 year maturity requirement that has been in place since 1980.

The ADOT has pledged future motor vehicle and related fuel fees and taxes to repay \$1.7 billion in outstanding Highway Revenue Bonds issued since 1993. Proceeds from the bonds finance portions of the ADOT's Five Year Transportation Facilities Construction Program. The bonds are payable solely from motor vehicle and related fuel fees and taxes and are payable through 2033. The total principal and interest remaining to be paid on the bonds is \$2.7 billion. Principal and interest paid for the current year and total pledged revenues were \$154.000 million and \$509.200 million, respectively. The annual principal and interest payments on the bonds required 30.20% of the pledged revenues.

The Maricopa County Regional Area Road Fund is used to record all payments of principal and interest for Transportation Excise Tax Revenue Bonds issued by the ADOT. The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County. The original amount of Transportation Excise Tax Revenue Bonds issued in prior years and outstanding at the start of the fiscal year was \$350.955 million. During the year, Transportation Excise Tax Revenue Bonds totaling \$440.000 million were issued to pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, Arizona and the costs of issuing the bonds.

On September 21, 2007, the ADOT adopted a Master Resolution relating to Transportation Excise Tax Revenue Bonds. On April 17, 2009, the ADOT adopted the Second Supplemental Resolution authorizing the issuance of the second series of bonds under the Master Resolution in an amount not to exceed \$440.000 million. No debt service reserve is required for the outstanding bonds.

Transportation Excise Tax Revenue Bonds aggregating \$404.805 million are subject to redemption prior to their maturity dates at the option of the ADOT in whole or in part, at any time, on or after July 1, 2017. These bonds may be redeemed at par, plus accrued interest to the date fixed for redemption. Transportation Excise Tax Revenue Bonds aggregating \$372.325 million are not subject to redemption.

The ADOT has pledged future transportation excise taxes to repay \$777.130 million in outstanding Transportation Excise Tax Revenue Bonds issued since 2007. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Maricopa County, Arizona. The bonds are payable solely from transportation excise taxes and are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$1.1 billion. Principal and interest paid for the current year and total pledged revenues were \$31.000 million and \$219.200 million, respectively. The annual principal and interest payments on the bonds required 14.10% of the pledged revenues.

In prior fiscal years, the ADOT refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded.

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The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the ADOT at June 30, 2009 totaled \$212.880 million.

2. School Facilities Board

In prior fiscal years, the SFB refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. Refunded bonds for the SFB at June 30, 2009 totaled \$535.310 million.

The SFB has pledged portions of its gross revenues towards payment of debt related to State school improvement revenue bonds, State school improvement revenue refunding bonds, State school trust revenue bonds, and State school trust revenue refunding bonds outstanding at June 30, 2009. These bonds finance the correction of existing deficiencies in school facilities in the State of Arizona. These pledged revenues include Education Transaction Privilege Taxes approved by voters as part of Proposition 301 and expendable State School Trust Revenues. Expendable State School Trust Revenues include State Trust Lands' land lease revenue, interest earnings on land sales financed over time, and a formula distribution from the State's Permanent Fund prescribed by the State's Constitution. Pledged revenues do not include sales of State Trust Lands, sales of natural products derived from State Trust Lands, or royalties from minerals extracted from State Trust Lands. These revenues are held in perpetuity for the benefit of various beneficiaries of the State Land Trust and are not available to pay debt service. Expendable State School Revenues in excess of \$72.263 million are not available to pay debt service on the State school trust revenue bonds and State school trust revenue refunding bonds per the debt documents. During fiscal year 2009, total expendable trust revenues exceeded the maximum allowable amount to pay debt service by \$56.165 million. This excess is not included in total pledged revenues. At June 30, 2009, pledged revenues totaled \$631.163 million, of which 14.03% (\$88.553 million) was required to cover current year debt service. Future pledged revenues required to pay all future debt service on these bonds through final maturity of July 1, 2021 is \$948.188 million.

Business-Type Activities

3. Universities

a. University of Arizona

The U of A's bonded debt consists of various issues of system revenue bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities and infrastructure. Bond proceeds are also used for refunding obligations from previously issued bonds.

On April 28, 2009, the U of A sold System Revenue Bonds Series 2009A (2009A Bonds) for \$202.370 million dated May 14, 2009. The 2009A Bonds include \$137.895 million of serial bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2012 to 2032. The 2009A Bonds also include two term bonds consisting of \$24.965 million with an interest rate of 5.00% due June 1, 2035; and \$39.510 million with an interest rate of 5.00% due June 1, 2039. The 2009A Bonds with maturity on or after June 1, 2020, are subject to optional redemption without premium. The 2009A Bonds with maturity on June 1, 2035 and June 1, 2039 (the Term Bonds) are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The 2009A Bonds sold at a premium of \$8.341 million. The U of A realized net proceeds of \$209.115 million after payment of \$1.596 million for issuance costs and underwriter discounts. The net proceeds were used to finance the Sixth Street Residence Halls, the Residence Life Building Renewal Phase 3 and 4 Projects, and to pay capitalized interest until December 1, 2011 on bonds allocated to the Sixth Street Residence Halls Project.

In fiscal year 2003, the U of A refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 2000A. At June 30, 2009, the outstanding principal balance of the refunded bonds was \$2.320 million, which will be paid by investments held in an irrevocable trust with a fair value of \$2.378 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

In fiscal year 2005, the U of A refunded, in advance of maturity, the remaining principal balance of System Revenue Bonds Series 2000A. At June 30, 2009, the total outstanding principal balance of the refunded System Revenue Bonds Series 2000A

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was \$14.210 million, which will be paid by investments held in an irrevocable trust with a total fair value of \$14.365 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the accompanying financial statements.

The U of A has pledged portions of its gross revenues towards the payment of debt related to all system revenue and system revenue refunding bonds outstanding at June 30, 2009. The bonds generally provide financing for various capital projects of the U of A. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues such as indirect cost recovery and certain investment income. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. At June 30, 2009, pledged revenues totaled \$681.900 million, of which 5.60% (\$38.200 million) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for the system revenue and system revenue refunding bonds through final maturity of June 1, 2040 is \$828.900 million.

b. Northern Arizona University

On August 14, 2008, the NAU sold System Revenue Bonds Series 2008 for \$43.130 million dated August 14, 2008 for the purpose of constructing a residence life warehouse, expanding the distance learning facility, expanding recreational fields, replacing the turf in the Skydome athletic facility, and various infrastructure improvements. The 2008 Bonds include \$22.310 million of serial bonds with interest rates ranging from 3.00% to 5.25% and maturity dates ranging from June 1, 2009 to June 1, 2028. The 2008 Bonds also include \$20.820 million of term bonds, with interest rates ranging from 5.00% to 5.25% and maturing on June 1, 2033 and 2038, and are subject to annual sinking fund contributions. The bonds maturing on or after June 1, 2019, are subject to optional redemption without premium on June 1, 2018. The 2008 Bonds were sold with net original issue discount of \$88 thousand. The NAU realized net proceeds of \$43.042 million after payment of \$319 thousand for issuance costs, underwriter discounts, and bond insurance. The costs associated with this issue were recorded in the current fiscal year. The Series 2008 have an average interest rate of 5.04%.

In prior years, the NAU defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in the sinking fund, in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2009, \$41.130 million of such bonds outstanding are considered defeased.

The NAU has pledged portions of its gross revenues towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2009. The bonds generally provide financing for various capital projects of the NAU. These pledged revenues include student tuition and fees, certain auxiliary enterprise revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. At June 30, 2009, pledged revenues totaled \$164.900 million, of which 9.30% (\$15.400 million) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for the system revenue bonds through final maturity of June 1, 2040 is \$320.600 million.

c. Arizona State University

At June 30, 2009, the ASU held a combination of fixed and variable rate bonds. The ASU's fixed rate bonded debt consists of various issues of system revenue bonds that are generally callable at a prescribed date with interest payable semi-annually. Certain system revenue bonds of the ASU were defeased through advance refundings by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, the liabilities for these defeased bonds are not included in the accompanying financial statements. The principal amount of all such bonds outstanding at June 30, 2009 was \$46.900 million.

In November 2008, the ASU issued \$104.100 million in system revenue bonds having an average maturity of 14 years and an average interest rate of 5.89%. The bonds were issued to fund construction of the Polytechnic Campus Academic Complex.

In April 2009, the ASU issued \$36.250 million in system revenue bonds having an average maturity of 8 years and an average interest rate of 3.76%. The bonds were issued primarily to fund the new Weatherup Center, an indoor basketball practice facility, the Memorial Union fire renovation project, and several building renewal and deferred maintenance projects.

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The ASU has outstanding two series of Variable Rate Demand System Revenue Refunding Bonds, Series 2008A and 2008B (2008A&B Bonds), totaling \$103.700 million with final maturities of July 1, 2034. Both series continue to bear interest at a weekly rate not to exceed 12.00% per annum based upon prevailing market conditions, as determined by the respective remarketing agents. The bonds are subject to conversion, at the option of the Arizona Board of Regents (ABOR) on behalf of the ASU, to a different or alternate adjustable rate mode, or a fixed rate pursuant to the bond indenture. The interest rate in effect on June 30, 2009 was .20% for the Series 2008A and .16% for the Series 2008B bonds.

The variable rate bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice to the remarketing agents. To provide credit and liquidity support for the bonds, the ASU entered into an Irrevocable Letter of Credit and Reimbursement Agreement (LOC) with Lloyds TSB Bank, PLC, upon execution of the refunding bonds. The LOC was extended on June 18, 2009 and expires on June 15, 2012. Assuming all of the \$51.800 million Series 2008A and \$51.800 million Series 2008B Bonds are not resold within 90 days, the ASU would be responsible to make quarterly installment principal payments of \$5.200 million over a five-year period, plus interest to be calculated as established in the letter of credit. The ASU has agreed to pay TSB Bank, PLC, an annual commitment fee for the letter of credit of 1.55% per annum on the stated amount which consists of outstanding principal of the bonds, plus 51 days of interest, at an assumed rate of 12.00% per annum.

Effective January 1, 2007, the ASU entered into a swap agreement on \$103.000 million, notional amount, relating to the 2008A&B Bonds. The \$103.000 million in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The notional amount under the swap decreases as principal payments are made on the 2008A&B Bonds. The intention of the swap was to effectively change the variable rate interest on the 2008A&B Bonds to a synthetic fixed rate. The swap agreement expires on July 1, 2034. Under the terms of the swap agreement, the ASU pays the counterparty interest calculated at a fixed rate of 3.91% and receives payments from the counterparty based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index set weekly. The SIFMA rate at June 30, 2009 was .35%. At June 30, 2009, the synthetic fixed interest rate on the bonds was:

Interest Rate Swap	Terms	Rates (%)
Fixed payment to counterparty	Fixed	3.91
Variable payment from counterparty	SIFMA	(.35)
Net interest rate swap payments		3.56
Variable-rate bond coupon payments	Spread to SIFMA	.18
Synthetic fixed interest rate on bonds		3.74

As of June 30, 2009, the swap had a fair value of \$(5.700) million, which represents the cost to the ASU to terminate the swap. The fair value was developed by an independent third party, with no vested interest in the transaction, using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

As of June 30, 2009, the ASU was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the ASU would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A+ by Fitch, A by Standard & Poor's, and A2 by Moody's Investor Services as of June 30, 2009. Based on current ratings, the counterparty was not required to provide collateral. In the event a rating downgrade occurs, the counterparty may be required to provide collateral if the ASU's overall exposure exceeds predetermined levels. Collateral may be held by the ASU or a third party custodian.

The swap exposes the ASU to basis risk should the weekly SIFMA rate paid by the counterparty fall below the weekly interest rate due on the bonds which is also a variable rate with a spread to SIFMA. This basis risk can be the result of a downgrade of the ASU's rating or the pricing of the ASU's bonds by the remarketing agent at rates higher than the SIFMA index.

The ASU continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the ASU effectively pays a fixed rate on the debt. If a default occurs regarding the swap agreement, the non-defaulting party may designate a date to terminate the agreement. The ASU will revert to a variable rate if the counterparty

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defaults or if the swap is terminated. A termination of the swap agreement may also result in the ASU making or receiving a termination payment.

Securities and cash restricted for bond debt service held by the trustee at June 30, 2009 totaled \$36.900 million.

The ASU has pledged portions of its gross revenues towards the payment of debt related to various senior lien system revenue bonds outstanding at June 30, 2009. The related revenue bonds are primarily for new academic and research facilities, academic and laboratory renovations, and infrastructure improvements. These pledged revenues include student tuition and fees, certain auxiliary enterprise revenue, investment income, and indirect cost recovery revenue. Pledged revenues do not include State appropriations, gifts, endowment income, or other restricted revenues. For the year ended June 30, 2009, annual pledged revenues totaled \$702.800 million, of which 6.40% (\$44.800 million) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for system revenue bonds through final maturity of July 1, 2036 is \$827.800 million. In addition, the ASU has pledged the same revenues on a subordinate basis to secure the Series 2006 Arizona State University Research Park, Inc. Development Refunding Bonds. Research Park bonds outstanding at June 30, 2009 were \$10.900 million with annual debt service requirements of approximately \$1.200 million through July 1, 2021.

The ASU presently plans to issue up to \$230.000 million in system revenue bonds in fiscal year 2010.

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2009 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2009
Governmental Activities:				
Department of Transportation	1994-2009	2010-2033	2.00-6.00%	\$2,517,895
School Facilities Board	2001-2008	2010-2021	.14-5.75%	733,685
Proprietary Funds:				
University Revenue Bonds	1992-2009	2010-2040	.18-6.50%	1,239,675

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2009 are as follows (expressed in thousands):

Fiscal Year	Annual Debt Service						
	Governmental Activities			Business-type Activities			
	Total Principal	Total Interest	Total	Total Principal	Total Interest	Net Payments (Receipts) on Swap Agreement	Total
2010	\$ 154,395	\$ 159,390	\$ 313,785	\$ 51,960	\$ 55,366	\$ 3,692	\$ 111,018
2011	162,520	153,300	315,820	58,505	52,017	3,615	114,137
2012	170,705	145,064	315,769	53,050	49,355	3,533	105,938
2013	179,435	136,373	315,808	58,850	46,882	3,547	109,279
2014	188,515	127,270	315,785	61,470	44,174	3,357	109,001
2015-2019	1,090,790	486,237	1,577,027	269,000	180,974	15,274	465,248
2020-2024	840,600	235,306	1,075,906	223,295	127,370	12,256	362,921
2025-2029	304,585	73,717	378,302	222,960	75,404	8,409	306,773
2030-2034	160,035	20,484	180,519	149,655	37,140	3,405	190,200
2035-2039	-	-	-	88,355	11,790	-	100,145
2040	-	-	-	2,575	117	-	2,692
Total	\$ 3,251,580	\$ 1,537,141	\$ 4,788,721	\$ 1,239,675	\$ 680,589	\$ 57,088	\$ 1,977,352

B. GRANT ANTICIPATION NOTES

Grant Anticipation Notes (GANs) are issued by the ADOT and secured by revenues received from the Federal Highway Administration under a grant agreement and certain other federal-aid revenues. The original amount of GANs issued in prior

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years and outstanding at the start of the fiscal year was \$298.280 million. During the year, GANs totaling \$55.420 million were issued to pay the costs of projects (as specified) and the costs of issuing the bonds.

The ADOT has pledged federal revenues to repay \$329.650 million in outstanding GANs issued since 2003. Proceeds from the bonds pay the costs of design, right-of-way purchase, or construction of certain freeways and other routes within Arizona. The bonds are payable solely from federal revenues and are payable through 2016. The total principal and interest remaining to be paid on the bonds is \$394.800 million. Principal and interest paid for the current year and total pledged revenues were \$38.500 million and \$532.000 million, respectively. The annual principal and interest payments on the bonds required 7.20% of the pledged revenues.

Grant Anticipation Notes currently outstanding are as follows (expressed in thousands):

Grant Anticipation Notes Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2009
Governmental Activities: Department of Transportation	2004-2009	2010-2016	2.50-5.00%	\$ 329,650

Future debt service principal and interest payments on Grant Anticipation Notes issues for fiscal years ended June 30 are summarized below (expressed in thousands):

Fiscal Year	Annual Debt Service		
	Governmental Activities		
	Total Principal	Total Interest	Total Debt Service
2010	\$ 25,170	\$ 16,370	\$ 41,540
2011	70,570	14,835	85,405
2012	43,885	11,404	55,289
2013	45,340	9,284	54,624
2014	55,265	7,121	62,386
2015-2016	89,420	6,165	95,585
Total	\$ 329,650	\$ 65,179	\$ 394,829

C. CERTIFICATES OF PARTICIPATION

Governmental Activities

1. Department of Administration

The State has issued COPs to finance construction or improvements of office buildings that are primarily leased to State agencies. The State's obligation to make lease payments and any other obligations of the State under the lease are subject to, and dependent upon, annual appropriations made by the State Legislature and annual allocations of such appropriations being made by the Department of Administration for such purpose. The Department of Administration agrees to use its best efforts to budget, obtain, allocate, and maintain sufficient appropriated monies to make lease payments. In the event any such appropriation and allocation is not made, the leases will terminate and there can be no assurance that the proceeds for the re-leasing or sale of the projects will be sufficient to pay principal and interest with respect to the then outstanding COPs. The scheduled payments of principal and interest with respect to the COPs are guaranteed under certificate insurance policies. The State's obligation to make lease payments does not constitute a debt or liability of the State within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the general taxing power of the State is pledged to make payments of principal or interest due with respect to the COPs. Such payments will be made solely from amounts derived under the terms of the lease, including lease payments, and amounts from time to time on deposit under the terms of the declaration of trust.

2. School Facilities Board

In prior fiscal years, the SFB refinanced various COPs through advance-refunding arrangements. Under the terms of the refundings, sufficient assets to pay all principal, redemption premiums, if any, and interest on the refunded COPs have been placed in irrevocable trust accounts at commercial banks and invested in U.S. securities which, together with interest earned

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thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased COPs are not reflected in the accompanying financial statements. Refunded COPs for the SFB at June 30, 2009 totaled \$311.130 million.

On November 14, 2008, the SFB, through The Bank of New York Mellon Trust Company, NA (BNY), issued COPs Series 2008 for \$580.035 million. The 2008 COPs include \$430.835 million of serial certificates with interest rates ranging from 4.00% to 5.75% and maturity dates ranging from 2011 to 2024. The 2008 COPs also include two term certificates consisting of \$89.655 million, with an interest rate of 5.13% due September 1, 2021, and \$59.545 million, with an interest rate of 5.25% due September 1, 2023. The 2008 COP certificates maturing on or after September 1, 2019 are subject to optional prepayment, prior to maturity, without premium. The 2008 COP term certificates maturing on September 1, 2021 and September 1, 2023 are subject to mandatory prepayment without premium. The State realized net proceeds of \$581.000 million after receipt of \$11.960 million net original issue premium, deposit to BNY Certificate Account of \$8.096 million for capitalized interest, and payment of \$2.899 million of issuance costs, including underwriters' discount. The 2008 COPs were issued to: (i) finance the costs of acquiring leasehold interests in school sites and certain school facilities, which will be subleased to various schools districts within the State, as well as the costs of other new school facilities, (ii) pay capitalized interest with respect to the 2008 COPs, and (iii) pay the costs of issuance.

Business-Type Activities

3. Universities

a. University of Arizona

The U of A utilizes COPs and various capital leases to acquire buildings, equipment, and land. The COPs are generally callable, and the capital leases are subject to prepayment.

In fiscal year 2003, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001B. At June 30, 2009, the outstanding principal balance for the COPs Series 2001B was \$2.905 million, which will be paid by investments held in an irrevocable trust with a fair market value of \$3.132 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

In fiscal year 2005, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001A. At June 30, 2009, the total outstanding principal balance for the COPs Series 2001A was \$8.730 million, which will be paid by investments held in an irrevocable trust with a fair value of \$8.931 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

In fiscal year 2007, the U of A refunded, in advance of maturity, a portion of outstanding COPs Series 2001A, 2001B, and 2002A. At June 30, 2009, the total outstanding principal balance for the COPs Series 2001A, 2001B, and 2002A was \$59.195 million, which will be paid by investments held in an irrevocable trust with a fair value of \$60.333 million. Accordingly, the trust account assets and liability for these defeased COPs are not included in the accompanying financial statements.

b. Arizona State University

At June 30, 2009, the ASU has issued fixed rate COPs. The ASU's non-bonded debt consists of various issues of COPs that are generally callable at a prescribed date with interest payable semi-annually. Certain COPs of the ASU have been defeased through advance refundings by depositing sufficient U.S. Government securities to pay all future debt service in an irrevocable trust. Accordingly, the liabilities for these defeased COPs are not included in the accompanying financial statements. The principal amount of all such COPs outstanding at June 30, 2009 was \$65.400 million.

Securities and cash restricted for COP debt service held by the trustee at June 30, 2009 totaled \$13.000 million.

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A summary of the COPs issued as of June 30, 2009 is as follows (expressed in thousands):

Project	Issue Date	Final Maturity Date	Original Amount Issued	Outstanding Balance	Interest Rates
Governmental Activities:					
Department of Administration:					
Refunding Certificates of 92A, 92C, & 1091	2001	2012	\$ 57,930	\$ 11,490	4.00 – 5.25
Health Lab/HRIS 2002A	2002	2023	63,270	40,605	4.13 – 5.50
Refunding Certificates of 92B	2003	2011	75,295	35,330	3.60 – 5.50
Refunding Certificates of 93B	2004	2012	16,725	7,270	3.75 – 5.00
1000 Bed Prison 2004B	2004	2019	31,965	24,820	4.00 – 5.25
4000 Bed Prison, Wastewater Upgrades, Forensic Unit 2008A	2008	2028	238,990	238,990	3.25 – 5.00
School Facilities Board:					
New School Construction 2003A	2003	2014	372,730	122,330	3.25 – 5.00
New School Construction 2003B	2004	2015	194,610	81,680	3.00 – 5.25
New School Construction 2004A	2004	2019	47,160	35,795	2.50 – 5.00
New School Construction 2004B	2005	2017	190,040	102,060	4.00 – 5.25
New School Construction 2004C	2005	2020	47,585	40,175	4.75 – 5.00
Refunding Certificates of 2003A	2005	2018	201,125	198,850	2.75 – 5.00
Refunding Certificates of 2003B	2005	2019	80,055	77,905	2.75 – 5.00
Refunding Certificates of 2004B	2005	2020	53,045	52,535	2.75 – 5.00
New School Construction 2008	2009	2024	580,035	580,035	4.00 – 5.75
Total Governmental Activities:			<u>\$ 2,250,560</u>	<u>\$ 1,649,870</u>	
Business-Type Activities:					
Arizona State University:					
Towers Project	1991	2011	\$ 4,500	\$ 800	6.89
Downtown Center – 1999A	1999	2025	5,620	4,445	5.75
Downtown Center – 1999B	1999	2025	5,165	4,315	8.00
2002 Certificates of Participation	2002	2027	103,800	21,495	4.75
2004 West Campus – Refunding	2004	2010	22,495	5,855	2.36
2004 Certificates of Participation	2005	2031	80,275	76,385	4.89
2005A Certificates of Participation	2005	2031	110,115	104,500	4.36
2006 Certificates of Participation	2006	2031	15,810	14,890	4.52
2006 Refunding Certificates of Participation	2007	2027	65,890	64,580	4.15
University of Arizona:					
Fixed Student Union A	1999	2020	21,607	4,159	5.13 – 5.30
Park Std. Union/Learning Svcs/6th St Garage/TEP Bldg.	2001	2012	31,695	2,535	4.20 – 4.45
Gittings Bldg/Highland Infra/Life Sci.	2001	2014	21,425	2,185	4.75 – 5.00
Student Housing, Health Bldg., UA North	2002	2022	76,965	15,665	4.38 – 5.50
Meinel Bldg & Refund COPS 1994B	2002	2023	29,845	27,220	3.50 – 5.13
Refund COPS 1997 & Portion of Series 2001B	2003	2022	10,615	10,615	3.50 – 5.00
Med. Research. Bldg./Biomed Sci.&Biotech/Tech. Infra.	2004	2031	153,960	142,825	3.77 – 5.25
Chem.Bldg./Res.Life/Highland Pkg.Garage/Rfnd. COPS 1994A	2004	2029	42,020	33,620	3.60 – 5.25
Refund COPS 1999A	2005	2024	12,660	12,660	4.00 – 5.00
Refund COPS 1999	2005	2024	14,825	14,825	5.00
Refund COPS 2001A	2005	2022	16,330	16,330	4.13 – 5.00
Refund COPS 1999, 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A	2006	2025	29,460	27,355	3.50 – 5.00
Refund COPS 1999A&B, 2000A, 2001A&B, 2002A&B, 2003A&B, 2004A	2006	2025	58,650	57,525	3.63 – 5.00
Biomed Research Collaborative Bldg. Project	2006	2031	18,240	17,315	4.00 – 5.00
Refund COPS 2001A, 2001B, 2002A, 2004B	2007	2031	105,080	105,025	3.50 – 4.50
Northern Arizona University:					
2004 Certificates of Participation	2005	2030	37,585	35,715	2.50 – 5.13
2005 Certificates of Participation	2006	2030	40,255	38,180	3.00 – 5.00
2006 Certificates of Participation	2006	2030	12,445	11,810	4.00 – 4.50
Total Business-Type Activities:			<u>\$ 1,147,332</u>	<u>\$ 872,829</u>	
Total Certificates of Participation			<u>\$ 3,397,892</u>	<u>\$ 2,522,699</u>	

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Principal and interest debt service requirements on COPs outstanding at June 30, 2009 are as follows (expressed in thousands):

Fiscal Year	Annual Debt Service					
	Governmental Activities			Business-type Activities		
	Total Principal	Total Interest	Total Amount Required	Total Principal	Total Interest	Total Amount Required
2010	\$ 77,540	\$ 80,647	\$ 158,187	\$ 32,315	\$ 40,288	\$ 72,603
2011	109,980	76,289	186,269	28,605	39,187	67,792
2012	115,430	70,835	186,265	34,802	38,433	73,235
2013	120,905	65,155	186,060	36,506	36,960	73,466
2014	126,870	58,978	185,848	38,303	35,190	73,493
2015-2019	680,635	192,220	872,855	228,947	144,254	373,201
2020-2024	360,235	60,705	420,940	242,896	85,267	328,163
2025-2029	58,275	5,938	64,213	164,485	35,075	199,560
2030-2034	-	-	-	65,970	3,241	69,211
Total	<u>\$ 1,649,870</u>	<u>\$ 610,767</u>	<u>\$ 2,260,637</u>	<u>\$ 872,829</u>	<u>\$ 457,895</u>	<u>\$ 1,330,724</u>

D. LEASES

1. Leases

The State has entered into capital lease agreements for the acquisition of buildings, telephone systems, copy machines, and other equipment. Capital lease assets and liabilities are reported on the government-wide Statement of Net Assets. A lease is reported as a capital lease if one or more of the following criteria are met:

- Title to or ownership of the asset is transferred to the State at the end of the lease.
- The lease contains a bargain purchase option.
- The lease term is equal to 75.00% or more of the useful life of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25.00% of the total useful life of the asset.)
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90.00% of the fair market value of the leased asset. (This criterion does not apply if the beginning lease term falls within the last 25.00% of the total useful life of the asset.)

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The future minimum lease payments for long-term capital leases as of June 30, 2009 are summarized below (expressed in thousands):

Fiscal Year	Annual Debt Service	
	Governmental Activities	Business-type Activities
2010	\$ 29,502	\$ 14,591
2011	27,839	14,582
2012	27,526	14,362
2013	26,990	14,293
2014	32,268	12,538
2015-2019	106,674	58,468
2020-2024	110,396	56,793
2025-2029	67,307	58,363
2030-2034	5,567	54,306
2035-2039	-	8,345
Total minimum lease payments	434,069	306,641
Less: amount representing interest	(110,545)	(131,188)
Less: amount representing executory costs	(87,399)	-
Present Value of Net Minimum Lease Payments	\$ 236,125	\$ 175,453

2. Capital Assets Financed through Capital Leases and Certificates of Participation

The following table summarizes the historical costs of assets acquired under capital leases and COPs (expressed in thousands):

	Governmental Activities	Business-type Activities
Land	\$ 6,663	\$ 6,882
Construction in progress	135,385	-
Buildings	585,637	1,020,037
Infrastructure	-	53,762
Improvements other than buildings	2,420	-
Equipment	71,147	23,540
	801,252	1,104,221
Less: accumulated depreciation	(191,007)	(144,773)
Carrying Value	\$ 610,245	\$ 959,448

E. COMPENSATED ABSENCES

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. The compensated absence liability attributable to governmental activities will be liquidated primarily by the General Fund. During fiscal year 2009, the State paid for compensated absences as follows: 82.39% from the General Fund, 12.03% from other funds, and 5.58% from other major funds.

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F. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of changes in Long-Term Obligations (expressed in thousands):

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Due Within One Year	Due Thereafter
Governmental Activities:						
Long-term Debt:						
Revenue bonds	\$ 2,759,070	\$ 621,050	\$ (128,540)	\$ 3,251,580	\$ 154,395	\$ 3,097,185
Grant anticipation notes	298,280	55,420	(24,050)	329,650	25,170	304,480
Certificates of participation	1,135,640	580,035	(65,805)	1,649,870	77,540	1,572,330
Capital leases	249,876	1,300	(15,051)	236,125	14,522	221,603
Installment purchase contracts	8,908	2,756	(5,321)	6,343	3,591	2,752
Notes payable	22,838	23,139	(3,309)	42,668	3,451	39,217
Premiums and discounts on debt	242,816	70,083	(27,286)	285,613	30,979	254,634
Deferred amounts on refundings	(13,145)	-	3,974	(9,171)	(3,974)	(5,197)
Total Long-term Debt	4,704,283	1,353,783	(265,388)	5,792,678	305,674	5,487,004
Other Long-term Liabilities:						
Compensated absences	252,323	262,382	(234,292)	280,413	171,738	108,675
Pollution remediation obligations	-	23,712	(899)	22,813	1,092	21,721
Total Other Long-term Liabilities	252,323	286,094	(235,191)	303,226	172,830	130,396
Total Long-term Obligations	\$ 4,956,606	\$ 1,639,877	\$ (500,579)	\$ 6,095,904	\$ 478,504	\$ 5,617,400
Business-type Activities:						
Long-term Debt:						
Revenue bonds	\$ 902,255	\$ 385,850	\$ (48,430)	\$ 1,239,675	\$ 51,960	\$ 1,187,715
Certificates of participation	903,843	196	(31,210)	872,829	32,315	840,514
Capital leases	179,052	2,945	(6,544)	175,453	6,127	169,326
Installment purchase contracts	13,024	7,935	(4,541)	16,418	4,040	12,378
Notes payable	1,022	-	(348)	674	314	360
Premiums and discounts on debt	38,211	9,149	(4,248)	43,112	1,966	41,146
Deferred amounts on refundings	(27,711)	-	2,417	(25,294)	(1,657)	(23,637)
Total Long-term Debt	2,009,696	406,075	(92,904)	2,322,867	95,065	2,227,802
Other Long-term Liabilities:						
Compensated absences	66,117	80,122	(75,970)	70,269	15,196	55,073
Total Other Long-term Liabilities	66,117	80,122	(75,970)	70,269	15,196	55,073
Total Long-term Obligations	\$ 2,075,813	\$ 486,197	\$ (168,874)	\$ 2,393,136	\$ 110,261	\$ 2,282,875

The above long-term obligations relating to governmental activities include internal service funds. Amounts for capital leases and compensated absences differ from those in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets because \$3.081 million of capital leases and \$113.717 million of compensated absences are attributable to internal service funds. These amounts are included in the reconciliation as part of internal service fund net assets.

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NOTE 8. INTERFUND TRANSACTIONS

INTERFUND BALANCES AND TRANSFERS

Interfund Receivables/Payables

Interfund balances as of June 30, 2009 are as follows (expressed in thousands):

Due From	Due To								Total Due To
	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Funds	Non-Major Enterprise Funds	Internal Service Funds		
General Fund	\$ -	\$ -	\$ 1,703	\$ 295,263	\$ 254,138	\$ 9	\$ 1,851	\$ 552,964	
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	1,789	-	-	2,908	-	77	-	4,774	
Land Endowments Fund	12	-	-	24,552	-	-	1,647	26,211	
Non-Major Governmental Funds	11,912	8	-	1,688	-	-	448	14,056	
Unemployment Compensation Fund	2	-	-	196	-	-	-	198	
Lottery Fund	8,058	-	-	587	-	-	-	8,645	
Non-Major Enterprise Funds	-	-	-	-	-	-	1	1	
Internal Service Funds	1,157	-	-	1	-	-	9	1,167	
Total Due From	\$ 22,930	\$ 8	\$ 1,703	\$ 325,195	\$ 254,138	\$ 86	\$ 3,956	\$ 608,016	

Interfund balances represent (1) amounts due to and from the internal service funds for goods and services rendered, and (2) cash transferred between funds for various interfund activities subsequent to the balance sheet date. The cash is recorded in the fund which initiated the transfer, and a corresponding liability is recorded. The receiving fund records an interfund receivable.

Interfund Transfers

Transfers for the year ended June 30, 2009 are as follows (expressed in thousands):

Transferred From	Transferred To								
	General Fund	Transportation & Aviation Planning, Highway Maintenance & Safety Fund	Land Endowments Fund	Non-Major Governmental Funds	Universities Fund	Industrial Commission Special Fund	Non-Major Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund	\$ -	\$ 1,183	\$ 8	\$ 46,837	\$ 1,075,756	\$ -	\$ 2,800	\$ -	\$ 1,126,584
Transportation & Aviation Planning, Highway Maintenance & Safety Fund	349,626	-	-	255,642	-	-	500	-	605,768
Land Endowments Fund	-	-	-	66,501	-	-	-	-	66,501
Non-Major Governmental Funds	331,646	251	-	32,117	-	6,000	97	-	370,111
Unemployment Compensation Fund	6,224	-	-	2,050	-	-	-	-	8,274
Lottery Fund	64,125	-	-	26,813	-	-	-	-	90,938
Non-Major Enterprise Funds	2,935	-	-	-	-	-	-	-	2,935
Internal Service Funds	60,801	1,464	-	44	-	-	-	1,087	63,396
Total Transfers In	\$ 815,357	\$ 2,898	\$ 8	\$ 430,004	\$ 1,075,756	\$ 6,000	\$ 3,397	\$ 1,087	\$ 2,334,507

Interfund transfers represent legally authorized non-exchange transfers of funds. These transfers include: (1) legislative appropriations from the General Fund, (2) other legislative transfers, (3) statutorily required transfers, (4) transfers related to the elimination of funds, and (5) transfers for debt service.

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NOTE 9. FUND DEFICIT

A. GENERAL FUND

The General Fund deficit of \$978.278 million is primarily due to lower-than-expected economic growth and resulted in revenues falling short of budgeted levels. For fiscal year 2009, expenditures were \$21.1 billion, while revenues were \$19.5 billion. Sales tax and income tax revenues were significantly impacted by these economic conditions. Reported sales tax and income tax decreased by \$780.330 million, or 14.32%, and \$1.0 billion, or 24.84%, as compared to fiscal year 2008, respectively.

B. INDUSTRIAL COMMISSION SPECIAL FUND

The Industrial Commission Special Fund (Special Fund) deficit increased in the amount of \$15.265 million, from \$30.596 million to \$45.861 million, during fiscal year 2009. The main contributor to the increase in the Special Fund deficit was the net decrease in fair value of investments of \$30.206 million during fiscal year 2009. The Special Fund is responsible for paying all current and future Arizona workers' compensation claims of insolvent insurance carriers and self-insured plans, which accounted for \$238.150 million of the \$378.520 million total actuarial liability at June 30, 2009. Some of the claims expense will be recovered over a period of years as the Special Fund receives liquidation distributions from the insolvent companies.

A 1.50% Special Fund assessment, under ARS §23-1065(A), was levied beginning in calendar year 2004 because of the growth in insolvent carrier liabilities. Furthermore, in 2005, ARS §23-1081(B) was amended to permit a surplus in the Industrial Commission Administrative Fund to be transferred to the Special Fund when the Special Fund is not actuarially sound. During fiscal year 2009, \$6.000 million was transferred from the Administrative Fund to the Special Fund.

C. HEALTHCARE GROUP OF ARIZONA

As of June 30, 2009, the Healthcare Group of Arizona (HCG) had a fund deficit of \$10.789 million as a result of significant losses in prior fiscal years. In fiscal years 2008 and 2009, HCG revenues were sufficient to cover all expenses incurred in the respective years. In addition to HCG's fiscal year 2009 operating income of \$3.157 million, HCG received a net \$2.648 million General Fund subsidy in order to reduce its liabilities owed to its contracted HMOs for reconciliations incurred in previous fiscal years. HCG management also made significant administrative and programmatic changes in order to eliminate future losses and reduce the net deficit. Some significant changes included the elimination of the PPO program in Maricopa and Pima Counties, employers with groups of one being placed in a separate group with adjusted premiums to cover higher cost of care, and a continued decrease in administrative costs. As a result, HCG was able to reduce their net deficit in fiscal year 2009 by \$5.008 million.

For fiscal year 2010, management is projecting that HCG will continue to operate without incurring additional losses. The following table summarizes HCG's reconciliation liability, as of June 30, 2009, for fiscal year 2009 activity (in thousands of dollars):

	<u>Reconciliation Period</u>				Total
	FY 07	FY 08	FY 09		
Balance June 30, 2008	\$ 14,877	\$ 4,324	\$ -	\$ 19,201	
Payments made	(5,281)	-	(150)	(5,431)	
Accruals and adjustments	(13)	(502)	150	(365)	
Balance June 30, 2009	<u>\$ 9,583</u>	<u>\$ 3,822</u>	<u>\$ -</u>	<u>\$ 13,405</u>	

The remaining reconciliation liability will be paid by allocating 2.00% of medical premium revenues for a reconciliation reserve, from residual earnings, and from any State subsidies provided by the Legislature.

There can be no assurance that operating improvements realized over the past two fiscal years will continue to occur or will provide sufficient cash to fund operating expenses. Additionally, if there is an adverse change in enrollment and the premium increases are not sufficient to fund the reserves for past losses and future medical claims experience costs, then HCG will be required to further scale back administrative expenditures to the level supported by actual enrollment.

Subsequent to June 30, 2009, HCG took over the provider payment function from HCG's preferred point of service third party administrator. As a result of provider payment reconciliations and payment history research, HCG determined that due to certain

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errors on the part of the third party administrator, approximately \$996 thousand was owed to providers for services provided in fiscal years 2009 and prior. This amount is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Assets as an other non-operating expense. HCG is currently working with AHCCCS legal counsel to resolve this ongoing issue and is seeking reimbursement for this loss.

Even though deficit reduction measures resulted in a net gain for fiscal year 2009, a net deficit of \$10.789 million still exists as of June 30, 2009. It is not anticipated in the near future that operations will generate sufficient cash flow to significantly pay down the deficit. Additionally, should the health plans elect to call the prior year reconciliation liabilities before HCG has sufficient funds to provide such payments and new terms are not negotiated, or the Legislature does not provide HCG with additional subsidies, it raises substantial doubt in HCG's ability to continue as a going concern.

In conclusion, even though HCG posted operating income of \$3.157 million in fiscal year 2009, and management currently projects that the positive trend will continue, \$10.789 million remained as a net deficit at year end due to the outstanding reconciliation liability owed to the HMO's for prior fiscal years. It is not anticipated in the near future that operations will generate sufficient cash flow to entirely pay off the outstanding obligation.

Accordingly, the accompanying financial statements have been prepared assuming that HCG will continue as a going concern. The matters discussed above raise substantial doubt about HCG's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should HCG be unable to continue as a going concern.

D. ARIZONA HIGHWAYS MAGAZINE

The Arizona Highways Magazine had a fund deficit of \$278 thousand which stemmed from four legislatively mandated cash transfers to the General Fund totaling \$1.483 million in fiscal year 2009. These transfers were mandated by House Bill 2209, section 46, and Senate Bill 1001, sections 4, 5, and 7.

E. RISK MANAGEMENT FUND

The Risk Management Fund (RMF) deficit of \$313.425 million is primarily due to the RMF receiving annual funding only for expected paid claims (self-insured and excess insurance expenditures, legal and other claim related expenditures, and administrative expenditures), and not being funded for non-current accrued insurance losses. Accrued insurance losses of the RMF are not considered when determining funding for each fiscal year.

F. RETIREE SICK LEAVE FUND (RASL)

The RASL pays retirees for their accumulated sick leave upon retirement from State service when they meet certain criteria. Beginning with fiscal year 2008, the State applied the provisions of GASB Statement No. 16 – *Accounting for Compensated Absences* to the RASL. This results in a liability in the RASL which is significantly greater than the actual funding of the RASL, because the liability is based upon an estimate of the total RASL benefit earned by existing employees at the balance sheet date; however, State agencies pay for only one year based on a 0.40% charge on gross payroll. The \$107.609 million fund deficit is primarily due to the above funding mechanism.

NOTE 10. JOINT VENTURE

The U of A is a participant in the Large Binocular Telescope Corporation (LBT). The LBT was formally incorporated as a nonprofit corporation in August 1992 pursuant to a Memorandum of Understanding, as amended, executed on February 24, 1989, between the U of A and the Arcetri Astrophysical Observatory in Florence, Italy (Arcetri). The purpose of the joint venture is to design, develop, construct, own, operate, and maintain a binocular telescope currently being constructed in Arizona. The current members of the LBT are the U of A, INAF Astrophysical Observatory, Research Corporation, Ohio State University, and the LBT Beteiligungsgesellschaft.

The U of A has committed resources equivalent to 25.00% of the LBT's construction costs and annual operating costs. As of June 30, 2009, the U of A has made cash contributions of \$18.159 million toward the project's construction costs, which were recorded as long-term investments on the Statement of Net Assets. The U of A's financial interest represents its future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope has entered the commissioning phase. During calendar year 2007, the telescope has become operational for research purposes; thus,

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depreciation of the property and equipment has commenced. The U of A recorded its proportionate share of the use of the viewing/observation rights, \$726 thousand in calendar year 2008, as a reduction in its investment. At June 30, 2009, the investment totaled \$16.757 million. According to the audited financial statements of the LBT for the year ended December 31, 2008, assets, liabilities, revenues, and expenses totaled \$125.000 million, \$3.000 million, \$15.000 million, and \$11.000 million, respectively.

The LBT's separate audited financial statements can be obtained from the University of Arizona Comptroller at the University of Arizona, Financial Services, P.O. Box 3310, Tucson, AZ 85722-3310.

NOTE 11. COMMITMENTS, CONTINGENCIES, AND COMPLIANCE
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A. INSURANCE LOSSES

The Department of Administration – Risk Management Division manages the State's property, environmental, general liability, and workers' compensation losses. The State has determined that the management of these losses can be performed effectively and efficiently through the Risk Management Division. Consequently, all agencies are required to participate in this program. The State's Risk Management Division evaluates the proper mix of purchased commercial insurance and self-insurance annually.

The Industrial Commission Special Fund (Special Fund) provides payment of workers' compensation losses which are not covered by the State Compensation Fund, the Department of Administration – Risk Management Division, private insurance carriers, or self-insured employers. The workers' compensation claims paid by the Special Fund encompass claims against uninsured or underinsured employers and insolvent insurance carriers and would include payments for vocational rehabilitation, medical conditions incurred prior to 1973, apportionment claims for pre-existing industrial and non-industrial related physical impairments, and compensation for loss of earnings associated with the disability.

The State records claims liability when the reported loss is probable and reasonably estimated. On an annual basis, independent actuarial firms are engaged to estimate the State's total year-end outstanding claims liability, which takes into account recorded claims and related allocated claims adjustment expenditures, loss development factors, and an estimate for incurred but not reported claims. There were no non-incremental claims adjustment expenses included in the liability for claims and adjustments.

The management and payment of these losses is accomplished through the funding mechanism of the Risk Management Fund (internal service fund) and the Special Fund (enterprise fund). As discussed in the above paragraph, an independent annual actuarial analysis is performed to evaluate the needed funding. The Risk Management Division will assess each agency an annual portion of the necessary funding for the Risk Management Fund based on their exposures and prior loss experience. Interest and dividend earnings of investments and assessments on gross premium revenues currently fund the Special Fund. To provide funding for workers' compensation claims, the Special Fund may direct payment to the State Treasurer an amount not to exceed one and one-half percent of all premiums received by the State Compensation Fund, private carriers, and self-insured plans during the immediately preceding calendar year. Beginning in calendar year 2004, this 1.50% assessment was levied under ARS §23-1065(A) because of a deficit net assets balance.

AMI Risk Consultants, Inc. was retained to evaluate the medical and compensation related liabilities of the Special Fund as of June 30, 2009. The estimated loss reserve of \$378.520 million is \$3.618 million lower than the \$382.138 million reserve estimate at June 30, 2008. The most significant category of change was the insolvent carrier claims that decreased in the amount of \$4.621 million from \$242.771 million at June 30, 2008 to \$238.150 million at June 30, 2009. The reserves were discounted at an assumed rate of 2.89% for the compensation claims and zero percent for the medical claims. For medical benefits, it was assumed that the inflation in medical costs will equal the investment return earned by the Special Fund on those reserves.

The only Special Fund assessment levied in 2009 was the 1.50% assessment under ARS §23-1065(A). The .50% assessment under ARS §23-966(D), based on the insolvent carrier losses, and .50% assessment under ARS §23-1065(F), based on the total apportionment liability, were not levied in 2009. The Special Fund has filed pending proof of claim requests with ancillary receivers and liquidators holding deposits and surety bonds of several insolvent companies. Since the actual amount that will ultimately be received cannot be determined, the Special Fund will continue to recognize receipt of insolvent carrier deposits (settlement income) as revenue at the time received rather than recording a receivable.

Occasionally, the Risk Management Division agrees with claimants to purchase an annuity contract to settle specific claims when it is determined that it is in the best interest of the State to do so. In these instances, the State requires the claimant to sign an

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agreement releasing the State from any further obligation. As a result of these requirements, the likelihood that the State will be required to make future payments on these claims is remote.

There have been no significant reductions in the current fiscal year insurance coverage. There have been no settlements that have exceeded insurance premium coverage in the last three years.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 2008 and June 30, 2009 (expressed in thousands):

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management Fund:				
2008	\$ 344,105	\$ 84,363	\$ 64,541	\$ 363,927
2009	363,927	61,179	65,293	359,813
Industrial Commission Special Fund:				
2008	401,148	7,576	26,586	382,138
2009	382,138	24,467	28,085	378,520

B. LITIGATION

In *Roosevelt Elementary School District No. 66 vs. State of Arizona* and *Somerton Elementary School District No. 11 vs. State of Arizona*, the plaintiffs are seeking a declaration that Arizona’s funding of the Building Renewal Fund for school district capital resources under ARS §15-2031 is unconstitutional. The actions were originally commenced in 1999 and 2002, but they were remanded by the Arizona Court of Appeals after its decision in *Roosevelt Elem. Sch. Dist. v. State of Arizona*, 205 Ariz. 594, 74 P.3d 258 (App. 2003). On remand, plaintiffs substituted some parties, leaving the plaintiff school districts as Globe Unified School District, Williams Unified School District, and Sierra Vista Unified School District, and discovery recommenced. In October, 2006, the court granted the State summary judgment, finding that the named school districts had failed to seek emergency funding under ARS §15-2022. The court indicated that if the districts proved subsequently that they had sought emergency funding and been rejected, and had exhausted all sources of State funding available to them for their facility needs, they might reinstate their claims. Plaintiff Globe Unified School District is no longer a party. The court later agreed to stay the judgment against plaintiffs through June 1, 2007, and plaintiffs successfully sought even further continuance on the inactive calendar. The plaintiffs moved to add a new plaintiff district, Tempe Union High School District, and to transfer the case to the active calendar and set it for trial. The State objected, and sought dismissal of the cases. The motions were argued in September, 2008, and the court issued an order requiring a further evidentiary hearing on the status of the plaintiff districts’ alleged capital needs and financial resources for late February, 2009. In the meantime, plaintiff, Williams Unified School District decided not to continue as a plaintiff in the case. After considering the evidence presented in the evidentiary hearing, the trial court issued an order granting the State’s cross-motion to dismiss the plaintiff’s claims without prejudice but placing the case on the inactive calendar and providing that “should plaintiffs in the future establish that they have exhausted all appropriate sources of State funding and yet been denied emergency funds, their claims may be reinstated.” After receiving the court’s ruling, the plaintiffs filed a motion for reconsideration of the ruling. The court ordered the State to file a response, which the State did. The plaintiffs have filed their reply in support of the motion for reconsideration, and the parties are awaiting a ruling on the motion for reconsideration. The plaintiffs are not seeking damages. However, they are seeking a declaration that would require the State to provide additional funding for building maintenance and renewal needs. The plaintiffs are likely to argue that the Arizona State Legislature was required to fund according to the Building Renewal Fund Formula, which was ultimately suspended by the Arizona State Legislature. The formula-calculated amounts that were not funded for just the 1999-2000, 2001-2002, and 2002-2003 fiscal years amounted to almost \$186.000 million. The potential outcome is uncertain at this time. If this case were to have an unfavorable outcome, it is possible that the State could incur losses in excess of \$200.000 million.

In the *Mayer vs. Winkelman* case disclosed in prior fiscal years, the State prevailed on statute of limitation grounds.

The State has a variety of claims pending against it that arose during the normal course of its activities. Management believes, based on advice of legal counsel, losses, if any, resulting from settlement of these claims will not have a material effect on the financial position of the State. All losses for any unsettled litigation or contingencies involving workers’ compensation, medical malpractice, construction and design, highway operations, employment practices, criminal justice, fidelity and surety,

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environmental property damage, general liability, environmental liability, building and contracts, auto liability, or auto physical damage are determined on an actuarial basis and included in the Accrued Insurance Losses of the internal service funds and the Industrial Commission Special Fund.

C. ACCUMULATED SICK LEAVE

Sick leave includes any approved period of paid absence granted an employee due to illness, injury, or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. State employees are eligible to receive payment for an accumulated sick leave balance of at least 500 hours, with a maximum of 1,500 hours, upon retirement directly from State service. The benefit value is calculated by taking the State employee’s hourly rate of pay at the retirement date, multiplied by the number of sick hours at the retirement date times the eligibility percentage. The eligibility percentage varies based upon the number of accumulated sick hours from 25.00% for 500 hours to a maximum of 50.00% for 1,500 hours. The maximum benefit value is \$30 thousand. The benefit is paid out in annual installments over three years. The RASL Fund is accounted for in the financial statements as an internal service fund and accounts for the retiree accumulated sick leave liability of \$111.978 million.

D. UNCLAIMED PROPERTY

The State of Arizona’s Uniform Unclaimed Property Act requires the deposit of certain unclaimed assets into a managed agency fund. A total of approximately \$652.315 million (net of refunds issued) has been collected since the inception of the fund. The State is also holding securities valued at \$21.509 million and mutual funds valued at \$1.371 million. In accordance with ARS §44-313 and ARS §44-314, for fiscal year 2009, \$28.554 million was deposited in the Department of Commerce Housing Fund, \$10.383 million was deposited in the Racing Fund, and \$10.879 million was deposited in the General Fund. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property. The GASB requires that a liability be reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants. This liability is also reported as a reduction of revenue. This liability is reported in the General Fund because it is the fund to which the property ultimately escheats in Arizona. At June 30, 2009, \$165.604 million of this liability is included as Due to Others in the General Fund.

E. CONSTRUCTION COMMITMENTS

The ADOT had outstanding commitments under construction contracts of approximately \$1.1 billion at June 30, 2009.

	(in thousands)	
	Expenditures to Date	Remaining Commitments
Construction contracts:		
Rural roadways	\$ 408,912	\$ 264,056
Small urban roadways	72,713	51,786
Urban roadways	109,005	42,002
Large urban roadways	712,495	299,316
Sub-total	1,303,125	657,160
Design contracts	811,432	94,255
Other commitments	437,732	385,832
Total	\$ 2,552,289	\$ 1,137,247

F. ARIZONA STATE LOTTERY

Annuities are purchased for all prizes over \$400 thousand for which winners will receive the jackpot in annual installments for The Pick on-line game. These annuities are purchased from qualifying insurance companies which have the highest ratings from among A.M. Best Company, Standard & Poor’s, Moody’s, Duff & Phelps, or Weiss. The Lottery may incur future liabilities on these annuities. Aggregate future payments to prize winners on existing annuities totaled approximately \$76.105 million at June 30, 2009. Approximately \$56.652 million of the total aggregate future payments at June 30, 2009 relate to annuities purchased from five separate insurance companies, of which approximately \$13.026 million relates to a single insurance company.

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NOTE 12. TOBACCO SETTLEMENT

The State is one of many states participating in the settlement of litigation with the tobacco industry over the reimbursement of healthcare costs. The settlement money is intended to compensate the State for costs it has incurred in providing health and other services to its citizens that were necessitated by the use of tobacco products. The State expects to receive settlement payments through 2025.

The State recorded tobacco settlement revenue of \$125.571 million and \$127.709 million in the fund statements and the government-wide statements in fiscal year 2009, respectively. Future settlement payments are subject to several adjustments, but the amounts are not presently determinable. These adjustments include a volume adjustment, which could reflect any decreasing cigarette production under a formula that also takes into account increased operating income from sales. Other factors that might affect the amounts of future payments include ongoing and future litigation against the tobacco industry and the future financial health of the tobacco manufacturers. Because the net realizable value of the future settlement payments is not measurable and there is no obligation for the tobacco companies to make settlement payments until cigarettes are shipped, the State did not record a receivable for the future payments related to cigarette sales after June 30, 2009.

NOTE 13. PUBLIC-PRIVATE PARTNERSHIP

The State of Arizona has entered into a partnership agreement with Accenture. The purpose of this partnership is to fund the Department of Revenue's technology needs. The agreement stipulates that Accenture will be paid 85.00% of the new revenue generated from the system enhancements, even if this amount is insufficient to cover the total contract cost. Accordingly, Accenture had created a system that increases the State's efficiency in collecting tax revenues. As of June 30, 2009, the State has paid Accenture \$151.129 million towards the \$160.936 million contract cost. Included in the \$160.936 million contract cost is capitalized interest charges of \$7.000 million and application support charges of \$54.610 million.

NOTE 14. TREASURER'S WARRANT NOTES

On April 15, 2009 through April 27, 2009, May 13, 2009 through May 20, 2009, and May 22, 2009 through May 26, 2009, pursuant to ARS §35-185.01 and §35-185.02, the State Treasurer issued Treasurer's Warrant Notes (TWNs) in daily amounts ranging from \$5.163 million to \$339.904 million in lieu of immediate redemption of warrants presented to the State Treasurer for payment of authorized General Fund expenditures. The TWNs were purchased by the State's internal investment pools. TWNs are issued only in the event the State Treasurer has insufficient funds to redeem warrants presented for payment of authorized expenditures of the State's General Fund. TWNs are issued daily depending on cash flow needs, and are redeemed the next business day. Any time TWNs are outstanding, all monies which would normally be deposited into the State General Fund, except amounts sufficient to pay constitutional officers of the State, shall be deposited into the TWN Redemption Fund to redeem outstanding TWNs. No TWNs were outstanding at June 30, 2009.

NOTE 15. SUBSEQUENT EVENTS

On December 8, 2009, the NAU issued \$108.860 million of System Revenue Bonds, Taxable Series 2009A and \$5.640 million of System Revenue Bonds, Tax Exempt Series 2009B. These bonds have maturity dates ranging from 2015 to 2024 and interest rates ranging from 4.84% to 5.84%.

On January 13, 2010, the State of Arizona issued COPs, Series 2010A for \$709.090 million. The 2010A COPs include \$709.090 million of serial certificates with interest rates ranging from 2.00% to 5.25% and maturity dates ranging from 2013 to 2030. The 2010A COP certificates maturing on or after October 1, 2020 are subject to optional redemption prior to maturity, without premium. The 2010A COP certificates are subject to extraordinary redemption prior to maturity from the net proceeds of insurance or condemnation awards, without premium. The 2010A COP certificates maturing on or after October 1, 2017 are subject to mandatory redemption and shall be redeemed prior to maturity from the Mandatory Prepayment Amounts, if any, calculated in accordance with the Lease, at the direction of the State, on any date on or after October 1, 2016 in whole or in part, at the "Adjusted Redemption Value" plus premium. The State realized net proceeds of \$735.419 million after receipt of \$34.187 million net original issue premium and payment of \$7.858 million of issuance costs, including underwriters' discount. The 2010A COPs are being issued to: (i) finance the costs of acquiring leasehold interests in State-owned buildings by U.S. Bank, NA, as trustee; upon receipt of the 2010A COP proceeds by the trustee, the trustee will immediately purchase the State property as defined in the debt documents and (ii) pay the costs of issuance.

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On March 30, 2010, the ASU issued System Revenue Bonds totaling \$178.350 million, consisting of \$165.980 million of Taxable Series 2010A (2010A Bonds) with interest rates ranging from 4.01% to 6.30% and \$12.370 million of Tax-Exempt Series 2010B (2010B Bonds) with interest rates ranging from 3.00% to 5.00%. The 2010A Bonds and the 2010B Bonds have final maturities of 2030 and 2039, respectively. These bonds are being issued to finance various projects of the ASU.

On April 28, 2010, the NAU issued \$64.785 million of Stimulus Plan for Economic and Educational Development Revenue Bonds, Taxable Series 2010. These bonds have maturity dates ranging from 2017 to 2031 and interest rates ranging from 4.27% to 6.59%.

Throughout most of fiscal year 2010, the State Treasurer issued TWNs in lieu of immediate redemption of warrants presented to the State Treasurer for payment of authorized General Fund expenditures. At May 7, 2010, the outstanding balance of the TWNs was approximately \$594.316 million.

The State has recently experienced its worst economic downturn in at least 50 years. Over the period of fiscal year end 2007 through February 2010, the total revenue from the State's major tax sources (sales and use, individual and corporate) has decreased by approximately one-third. With revenues falling short of budgeted levels, the State's General Fund was faced with a fiscal year 2009 ending balance shortfall and approximately a \$3.2 billion on-going structural deficit. The State Legislature has enacted a series of laws in response. Significant measures include deep cuts to education and health/welfare programs. Additionally, the State Legislature referred a temporary 1-cent increase in the transaction privilege tax to voters. The special election will be held on May 18, 2010. If approved, the increase would become effective June 1, 2010 and expire May 31, 2013. The State Legislature has already enacted laws for additional cuts to State spending authority that will be triggered if the temporary tax is not passed. Accordingly, the State has adopted a workable budget for fiscal year 2010 and 2011, and has made significant progress towards eliminating the long-term structural deficit.

NOTE 16. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

The accounting policies of the State's component units conform to U.S. GAAP applicable to governmental units adopted by the GASB, except for those component units affiliated with the State's Universities. Because the component units affiliated with the Universities are not governmental entities, they follow FASB statements for not-for-profit organizations for financial reporting purposes. Each component unit has a June 30 year-end with the exception of the Law College Association, which has a May 31 year-end.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Measurement Focus and Basis of Accounting

The State's component units and component units affiliated with the Universities are presented using the economic resources measurement focus and the accrual basis of accounting. The State's component units follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The State has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989, except for the UMC, which has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

2. Net Assets

Component units affiliated with the Universities classify net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the component units affiliated with the Universities and changes therein are classified and reported as follows:

- *Unrestricted net assets* include assets and contributions that are not restricted by donors or for which such restrictions have expired.
- *Temporarily restricted net assets* include contributions for which donor imposed restrictions have not been met (either by the passage of time or by actions of the Foundations), charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. Donor-

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restricted contributions are classified as temporarily restricted if the restrictions are satisfied in the same reporting period in which the contributions are received; however, the component units affiliated with the ASU, other than the ASU Foundation, classify such contributions as unrestricted.

- *Permanently restricted net assets* include contributions, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the board-approved payout be made available for program operations in accordance with donor restrictions.

3. Cash and Cash Equivalents

Cash and cash equivalents includes monies held in certificates of deposit, overnight money market accounts, and money market funds. Cash and cash equivalents are stated at cost, which approximates fair value.

4. Investments

Investments are recorded in accordance with Statements of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The fair values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. Absolute return limited partnership interests are recorded at fair value based on quoted market prices (where the underlying investment is a mutual fund) or as determined by the fund manager. Purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the increases or decreases in net assets in the Statement of Activities.

5. Income Taxes

The Foundations qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, there is no provision for income taxes in the accompanying financial statements, except for the Collegiate Golf Foundation and the ACFFC. In addition, they qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Any income determined to be unrelated business taxable income would be taxable. The ACFFC and NACFFC are exempt from taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. The ACFFC does not qualify for the charitable contribution deduction.

6. Annuities Payable and Other Trust Liabilities

Annuities payable and other trust liabilities for the U of A Foundation are stated at the actuarially computed present value of future payments to the annuitants. The excess of the fair values of assets received (classified according to their nature in the Statement of Financial Position) pursuant to annuity agreements over the actuarially computed annuities payable (using market rates in effect on the contribution date) is recorded as contributions in the year received.

7. Contributions

Contributions are recorded in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

8. Net Assets Released from Restriction

Expenses are not incurred in the temporarily restricted or permanently restricted net asset categories. As the restrictions on these net assets are met, the assets are reclassified to unrestricted net assets. The total assets reclassified are reported as net assets released from restriction in the accompanying Statement of Activities.

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9. Use of Estimates

The preparation of the Universities-affiliated component units' financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. DEPOSITS AND INVESTMENTS

1. Component Units

a. Deposits and Investment Policies

The investments of the WIFA are stated at fair value, except guaranteed investment contracts, which are stated at cost since they are non-participating contracts. The investments of the UMC are stated at fair value.

b. Custodial Credit Risk - Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from the outside party. The WIFA and the UMC do not have a formal policy regarding custodial credit risk for deposits.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. The WIFA and the UMC do not have a formal policy regarding custodial credit risk for investments. The investments of the UMC are uninsured, unregistered, and held by brokers in the UMC's name.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The WIFA does not have a formal policy regarding interest rate risk. The following table presents the interest rate risk for the WIFA utilizing the segmented time distribution method as of June 30, 2009 (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Corporate asset backed securities	\$ 2,137	\$ 2,137	\$ -	\$ -	\$ -
Corporate notes	20,312	20,312	-	-	-
Guaranteed investment contracts	80,893	-	-	80,893	-
Money market mutual funds	3,021	3,021	-	-	-
Repurchase agreements	30,570	30,570	-	-	-
U.S. agency securities	32,975	17,998	14,977	-	-
U.S. agency mortgage backed securities	1,260	-	-	-	1,260
U.S. Treasury securities	11,827	11,827	-	-	-
Total	\$ 182,995	\$ 85,865	\$ 14,977	\$ 80,893	\$ 1,260

The UMC's investment policy limits the portfolio duration related to debt securities to the Lehman Brothers Intermediate Government/Credit Index. This is an index based on all publicly issued intermediate government and corporate debt securities with average maturities of four to five years. The following table presents the estimated maturities of the UMC's investments, utilizing the segmented time distribution method as of June 30, 2009 (expressed in thousands):

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Investment Type	Fair Value	Investment Maturities (in years)				
		Less than 1	1-5	6-10	More than 10	
Commercial paper	\$ 15,610	\$ 15,610	\$ -	\$ -	\$ -	
Corporate fixed income	6,658	-	6,658	-	-	
Guaranteed investment contracts	4,396	153	-	-	4,243	
Money market mutual funds	85,656	85,656	-	-	-	
Structured notes	22,632	-	22,632	-	-	
U.S. Treasury securities	8,948	8,948	-	-	-	
Total	\$ 143,900	\$ 110,367	\$ 29,290	\$ -	\$ 4,243	

d. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The WIFA does not have a formal policy regarding credit risk. The following table presents the WIFA's investments which were rated by S & P's and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2009 (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	A1	BB	Not Rated
Corporate asset backed securities	\$ 2,137	\$ 2,137	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate notes	17,816	370	4,639	11,582	-	1,225	-
Guaranteed investment contracts	80,893	80,893	-	-	-	-	-
Money market mutual funds	3,021	-	-	-	-	-	3,021
U.S. agency securities	32,975	31,212	-	-	1,763	-	-
U.S. agency mortgage backed securities	1,260	1,260	-	-	-	-	-
Total	\$ 138,102	\$ 115,872	\$ 4,639	\$ 11,582	\$ 1,763	\$ 1,225	\$ 3,021

The UMC's investment policy establishes ranges which limit the level of investments held in domestic and international equities, fixed income securities, and alternative investment strategies. Investment in fixed income securities is limited to investment grade securities with a credit rating of BBB, or equivalent, or better. The portfolio of fixed income securities must maintain an average rating of A or better at all times. The following table presents the UMC's investments which were rated by S & P's and/or an equivalent national rating organization. The ratings are presented using S & P's rating scale as of June 30, 2009 (expressed in thousands):

Investment Type	Fair Value	AAA	AA	A	Not Rated
Alternative investments	\$ 2,893	\$ -	\$ -	\$ -	\$ 2,893
Commercial paper	15,610	-	-	-	15,610
Corporate fixed income	6,658	5,123	-	1,535	-
Guaranteed investment contracts	4,396	-	4,243	-	153
Hedge fund of funds	36,312	-	-	-	36,312
Money market mutual funds	85,656	-	-	-	85,656
Structured notes	22,632	-	17,553	5,079	-
Other	17,229	-	-	-	17,229
Total	\$ 191,386	\$ 5,123	\$ 21,796	\$ 6,614	\$ 157,853

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The WIFA's investment policy contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2009, an investment in Bayerische Landesbank (fair value of \$40.586 million) was approximately 22.18% of the WIFA's total investments, an investment in AIG Matched Funding Corp. (fair value of \$25.153 million) was approximately 13.74% of the WIFA's total investments, an investment in Royal Bank of Canada (fair value \$15.155 million) was approximately 8.28% of the

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WIFA's total investments, and an investment in Federal Home Loan Mortgage Corporation (fair value \$16.226 million) was approximately 8.87% of the WIFA's total investments.

f. Foreign Currency Risk

The UMC's investment policy permits it to invest a portion of its holdings in international equities, alternative, and managed future investments. The UMC's current holdings in international securities totaled approximately \$23.217 million, or 18.05% of total investments not held by trustee. The following table summarizes the UMC's foreign currency risk as of June 30, 2009 (expressed in thousands):

Foreign Currency Risk by Investment Type at Fair Value			
(Expressed in Thousands)			
Currency	Fixed Income	Equities	Total
Australian Dollar	\$ 14	\$ 1,513	\$ 1,527
Brazilian Real	4	26	30
British Pound Sterling	6	3,492	3,498
Canadian Dollar	6	887	893
Chilean Peso	-	45	45
Chinese Yuan	694	782	1,476
Czech Koruna	-	45	45
Danish Krone	1	93	94
Euro	1,470	7,245	8,715
Hong Kong Dollar	-	339	339
Hungarian Florint	-	109	109
Israeli Shekel	-	32	32
Japanese Yen	-	3,139	3,139
New Mexican Peso	-	45	45
New Zealand Dollar	3	251	254
Polish Zloty	-	39	39
Singapore Dollar	-	230	230
South African Rand	-	116	116
South Korean Won	-	67	67
Swedish Krona	4	400	404
Swiss Franc	-	884	884
Turkish Lira	-	77	77
Other	420	739	1,159
Total	<u>\$ 2,622</u>	<u>\$ 20,595</u>	<u>\$ 23,217</u>

2. Universities-Affiliated Component Units

Investments of the Universities-affiliated component units include the following amounts at June 30, 2009. Investments are stated at fair value (expressed in thousands):

	ASU		U of A		NAU	
	Foundation	ACFFC	Foundation	-	Foundation	-
Money market funds and cash equivalents	\$ 57,763	\$ 46,416	\$ -	-	\$ 1,132	-
Domestic/international equity securities and mutual funds	216,121	-	112,262	-	36,308	-
Fixed income	95,828	-	85,092	-	22,206	-
Absolute return limited partnerships and funds	-	-	98,807	-	-	-
Other investments	48,510	2,518	39,095	-	-	-
Total Investments	<u>\$ 418,222</u>	<u>\$ 48,934</u>	<u>\$ 335,256</u>	<u>\$ -</u>	<u>\$ 59,646</u>	<u>\$ -</u>

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C. PROGRAM LOANS

The WIFA has made loans to local governments and others in Arizona to finance various projects pursuant to the requirements of the Clean Water and Safe Drinking Water Acts. The loans are generally payable in semi-annual installments due January 1 and July 1 of each year, including interest. However, several loans are payable monthly or quarterly. Changes in the program loans during fiscal year 2009 are as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Clean Water Fund	\$ 600,725	\$ 128,709	\$ (48,008)	\$ 681,426
Drinking Water Fund	297,038	27,763	(13,586)	311,215
Total	<u>\$ 897,763</u>	<u>\$ 156,472</u>	<u>\$ (61,594)</u>	<u>\$ 992,641</u>

Repayment of these loans will be made from pledged property taxes, net revenues from the systems, transaction privilege taxes, or from special assessments. Most loans have a .30% to 4.00% annual administrative fee.

Some program loans require a monthly or quarterly payment into a debt service reserve to assure payments of the loans. The debt service reserve is a liability of the WIFA to the borrowers and interest on the reserve accrues to the borrowers.

D. PLEDGES RECEIVABLE

Pledges receivable (unconditional promises to give) are recorded at their net realizable value, which is net of a discount and any applicable loss allowance. The ASU Foundation's pledges are discounted using the applicable risk free rate at the date the pledge was recognized. The discount rates range from 2.40% to 10.90%. An allowance for uncollectible pledges is estimated based on the ASU Foundation's collection history and is recorded as a reduction to contribution support and revenue and an increase in the allowance for uncollectible pledges. The Sun Angel Foundation's pledges receivable are recorded using a 5.14% discount rate for the year ended June 30, 2009.

Pledges receivable, as of June 30, 2009, include the following (expressed in thousands):

	ASU Foundation	Sun Angel Foundation
Gross pledges receivable	\$ 152,740	\$ 9,998
Present value discount	(32,776)	(753)
Allowance for uncollectible pledges	(13,517)	-
Net Pledges Receivable	<u>\$ 106,447</u>	<u>\$ 9,245</u>

E. DIRECT FINANCING LEASE AGREEMENTS

1. ASU Foundation

The ASU Foundation leases a portion of the Fulton Center building (the ASU Foundation's headquarters) to the ASU under a direct financing lease. At the end of lease, the ASU Foundation and affiliates will gift their portion of the building to the ASU and the ASU will receive title to the building. The ASU Foundation's net investment in this direct financing lease at June 30, 2009 is \$27.605 million.

2. ACFFC

Pursuant to a Sublease Agreement, dated April 7, 2004, Nanotechnology Research, LLC, a wholly-owned subsidiary of ACFFC, leases its interest in the Research Park to the ASU. The Sublease Agreement commenced April 7, 2004, and continued until June 30, 2005, with successive automatic annual renewals for the period July 1 through June 30 of each year without action on the part of Nanotechnology or the ASU, through the period ending March 31, 2034. The Sublease Agreement is subject to early termination by Nanotechnology or the ASU upon the payment in full of the outstanding debt. Upon termination or expiration of the Sublease Agreement, Nanotechnology's interest in the premises, including all buildings and improvements on the leased premises, transfers to the ASU without further consideration. Therefore, the lease is classified as a direct financing capital lease. ACFFC's net investment in the Nanotechnology facility direct financing lease is \$34.900 million at June 30, 2009.

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Effective April 29, 2009, the Sublease Agreement was amended and the Series 2004 A&B Bonds were refunded by the Series 2009 Refunding Bonds. The refunding bonds effectively converted the interest payments from variable rate to fixed rate, with interest rates ranging from 4.00% to 6.40%.

Pursuant to the ASU Lease Agreement, dated July 1, 2005, McAllister Academic Village, LLC, a wholly-owned subsidiary of ACFFC, leases its interest in the non-residential portion of Hassayampa Academic Village (HAV) to the ASU which consists of the academic, tutorial, retail, and food service facilities. The lease commenced on July 1, 2005 and continued until June 30, 2006 with annual renewals through June 30, 2045. Any right, title, or interest of McAllister (HAV) in and to the academic portions of the project will pass to the ASU without further cost upon payment in full of the Bonds by McAllister (HAV) of the ASU. Therefore, the lease is considered a direct financing capital lease. ACFFC's net investment in the McAllister (HAV) direct financing lease is \$12.400 million at June 30, 2009.

Effective September 1, 2008, the ASU Lease agreement was amended and the Series 2005 A&B Bonds were refunded by the Series 2008 Refunding Bonds. The refunding bonds effectively converted the interest payments from variable rate to fixed rate, with interest rates ranging from 3.50% to 5.80%.

3. NACFFC

On May 19, 2005, the NAU entered into a lease purchase agreement with NACFFC. During the 28 year lease term, the NAU will make lease payments on two apartment style student housing complexes, Pine Ridge Village and McKay Village. The NACFFC recorded a sales-type lease receivable of \$13.225 million in fiscal year 2005 for the Pine Ridge complex. The agreement also provided for the NAU's lease purchase agreement of the McKay Village complex for \$22.685 million in fiscal year 2007. Upon expiration of the lease, the real property will become the sole property of the NAU without further cost.

On September 1, 2006, the NAU entered into a lease purchase agreement with NACFFC. During the 30 year lease term, the agreement provides for the NAU lease purchase of the convention center/parking garage complex for \$12.400 million in fiscal year 2008. Upon expiration of the lease, the real property will become the sole property of the NAU without further cost.

F. CAPITAL ASSETS

Capital asset activity for the UMC for the fiscal year ended June 30, 2009 was as follows (expressed in thousands):

	University Medical Center				
	Beginning Balance	Additions	Retirements	Adjustments & Reclassifications	Ending Balance
Non-depreciable capital assets:					
Land	\$ 8,008	\$ 3,675	\$ -	\$ 9	\$ 11,692
Construction in progress	56,411	73,105	(47)	(26,713)	102,756
Total Non-depreciable Capital Assets	64,419	76,780	(47)	(26,704)	114,448
Depreciable capital assets:					
Buildings	210,562	10,350	-	20,477	241,389
Improvements other than buildings	772	92	-	-	864
Equipment	143,756	8,702	(1,715)	6,227	156,970
Total Depreciable Capital Assets	355,090	19,144	(1,715)	26,704	399,223
Less accumulated depreciation for:					
Buildings	(112,781)	(9,083)	-	-	(121,864)
Improvements other than buildings	(348)	(64)	-	-	(412)
Equipment	(110,086)	(13,305)	1,546	-	(121,845)
Total Accumulated Depreciation	(223,215)	(22,452)	1,546	-	(244,121)
Total Depreciable Capital Assets, Net	131,875	(3,308)	(169)	26,704	155,102
Total UMC Capital Assets, Net	\$ 196,294	\$ 73,472	\$ (216)	\$ -	\$ 269,550

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Capital assets for the Universities-affiliated component units for the fiscal year ended June 30, 2009 include the following (expressed in thousands):

	ASU Foundation	ACFFC	Downtown Phoenix Student Housing
Buildings and improvements	\$ 17,396	\$ 202,835	\$ 112,962
Furniture, fixtures, and equipment	7,516	47,916	10,258
Construction in progress	-	7,748	-
Other property and equipment	-	729	-
Total cost or donated value	24,912	259,228	123,220
Less: Accumulated Depreciation	(4,763)	(35,637)	(2,449)
Total Property and Equipment, Net	<u>\$ 20,149</u>	<u>\$ 223,591</u>	<u>\$ 120,771</u>

G. LONG-TERM OBLIGATIONS

1. Component Units

a. Water Infrastructure Finance Authority

The WIFA's bonds are callable and interest is payable semiannually. The bonds are special obligations of the WIFA payable solely from and secured by the WIFA's assets. The bonds are not obligations, general, specific, or otherwise, of the State or any other political subdivision, thereof, other than the WIFA.

In prior fiscal years, the WIFA refinanced various bond issues through advance-refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal, redemption premium, if any, and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded. The assets, liabilities, and financial transactions of these trust accounts and the liability for the defeased bonds are not reflected in the accompanying financial statements. The amount outstanding on the refunded bonds for the WIFA at June 30, 2009 totaled \$62.995 million.

The \$6.372 million deferred amount on retirement of bonds is being amortized over the lives of the defeased bonds on a straight-line basis. The amortization for the year ended June 30, 2009 is \$554 thousand. Amortization has been offset against interest expense.

Bond premiums are being amortized over the life of the bonds. The amortization for the year ended June 30, 2009 is \$3.196 million. Further, bond issuance costs are amortized over the life of the bond and offset to interest expense. The amortization for the ended June 30, 2009 is \$313 thousand.

b. University Medical Center

The UMC is subject to certain financial covenants under the Master Trust Indenture (the Indenture). In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property.

The UMC has established and maintains separate funds as a bond reserve fund on outstanding bonds payable. These funds, which totaled \$20.067 million at June 30, 2009, are held by the trustee and are reflected as restricted investments held by trustee in the accompanying financial statements. These principally consist of money market investments, collateralized by U.S. government securities.

The bonds or other obligations of the UMC do not constitute general obligations of the Arizona Board of Regents, the U of A, the State, or any political subdivision thereof.

In May 2009, the UMC issued \$61.800 million of Hospital Revenue Bonds (Series 2009 Bonds). The Series 2009 Bonds were issued at a discount to yield an effective interest rate of 6.48% and are being used for the construction of the Diamond Children's Medical Center and to finance other capital needs of the UMC. The total debt issuance costs for the Series 2009 Bonds were \$890 thousand at June 30, 2009. These costs will be amortized over the term of the Series 2009 Bonds.

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c. Arizona Power Authority

In prior years, the APA defeased various issues of bonds by purchasing U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide future debt service until the call dates. As a result, those bonds are considered to be defeased and the liability has been removed from the Hoover Uprating Fund. Accordingly, these trust account assets and related liabilities are not included in the accompanying financial statements.

Summary of Revenue Bonds

The following schedule summarizes revenue bonds outstanding at June 30, 2009 (expressed in thousands):

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Outstanding Balance at June 30, 2009
Component Units:				
Water Infrastructure Finance Authority	1995-2008	2010-2029	2.00-5.63%	\$ 742,840
University Medical Center	1993-2009	2010-2040	4.82-6.48%	286,890
Arizona Power Authority	2001-2004	2010-2018	5.00-5.25%	45,565

Principal and interest debt service payments on revenue bonds outstanding at June 30, 2009 are as follows (expressed in thousands):

Fiscal Year	Annual Debt Service			Fiscal Year	Annual Debt Service		
	Water Infrastructure Finance Authority				University Medical Center		
	Principal	Interest	Total		Principal	Interest	Total
2010	\$ 29,095	\$ 35,327	\$ 64,422	2010	\$ 4,145	\$ 13,682	\$ 17,827
2011	31,520	33,995	65,515	2011	4,295	15,059	19,354
2012	39,455	32,386	71,841	2012	4,515	14,846	19,361
2013	37,060	30,575	67,635	2013	5,555	14,621	20,176
2014	38,620	28,747	67,367	2014	5,845	14,365	20,210
2015-2019	214,960	113,022	327,982	2015-2019	34,140	67,145	101,285
2020-2024	233,315	57,551	290,866	2020-2024	45,295	57,532	102,827
2025-2029	118,815	10,662	129,477	2025-2029	58,375	44,796	103,171
Total	\$ 742,840	\$ 342,265	\$ 1,085,105	2030-2034	75,440	28,177	103,617
				2035-2039	49,285	8,204	57,489
				Total	\$ 286,890	\$ 278,427	\$ 565,317

Fiscal Year	Annual Debt Service		
	Arizona Power Authority		
	Principal	Interest	Total
2010	\$ 3,815	\$ 2,265	\$ 6,080
2011	4,220	2,065	6,285
2012	4,585	1,844	6,429
2013	4,810	1,603	6,413
2014	5,065	1,344	6,409
2015-2019	23,070	2,500	25,570
Total	\$ 45,565	\$ 11,621	\$ 57,186

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d. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the component units (expressed in thousands):

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Due Within One Year	Due Thereafter
Water Infrastructure Finance Authority:						
Long-term Debt:						
Revenue bonds	\$ 770,260	\$ -	\$ (27,420)	\$ 742,840	\$ 29,095	\$ 713,745
Revenue bond premium	51,799	-	(3,196)	48,603	-	48,603
Deferred amounts, net	(6,926)	-	554	(6,372)	-	(6,372)
Total Long-term Debt	<u>815,133</u>	<u>-</u>	<u>(30,062)</u>	<u>785,071</u>	<u>29,095</u>	<u>755,976</u>
Other Long-term Liabilities:						
Compensated absences	<u>65</u>	<u>74</u>	<u>(74)</u>	<u>65</u>	<u>65</u>	<u>-</u>
Total Other Long-term Liabilities	<u>65</u>	<u>74</u>	<u>(74)</u>	<u>65</u>	<u>65</u>	<u>-</u>
Total Long-term Obligations	<u>\$ 815,198</u>	<u>\$ 74</u>	<u>\$ (30,136)</u>	<u>\$ 785,136</u>	<u>\$ 29,160</u>	<u>\$ 755,976</u>
University Medical Center:						
Long-term Debt:						
Revenue bonds	\$ 229,130	\$ 61,800	\$ (4,040)	\$ 286,890	\$ 4,145	\$ 282,745
Revenue bond premium and discounts	(1,262)	(1,432)	(208)	(2,902)	-	(2,902)
Total Long-term Debt	<u>227,868</u>	<u>60,368</u>	<u>(4,248)</u>	<u>283,988</u>	<u>4,145</u>	<u>279,843</u>
Other Long-term Liabilities:						
Compensated absences	12,845	9,435	(7,711)	14,569	8,444	6,125
Other	<u>4,044</u>	<u>2,442</u>	<u>(1,793)</u>	<u>4,693</u>	<u>-</u>	<u>4,693</u>
Total Other Long-term Liabilities	<u>16,889</u>	<u>11,877</u>	<u>(9,504)</u>	<u>19,262</u>	<u>8,444</u>	<u>10,818</u>
Total Long-term Obligations	<u>\$ 244,757</u>	<u>\$ 72,245</u>	<u>\$ (13,752)</u>	<u>\$ 303,250</u>	<u>\$ 12,589</u>	<u>\$ 290,661</u>
Arizona Power Authority:						
Long-term Debt:						
Revenue bonds	\$ 49,015	\$ -	\$ (3,450)	\$ 45,565	\$ 3,815	\$ 41,750
Revenue bond premium and discounts	1,774	-	(317)	1,457	-	1,457
Deferred amounts, net	(1,210)	-	216	(994)	-	(994)
Total Long-term Debt	<u>49,579</u>	<u>-</u>	<u>(3,551)</u>	<u>46,028</u>	<u>3,815</u>	<u>42,213</u>
Other Long-term Liabilities:						
Compensated absences	<u>67</u>	<u>54</u>	<u>(50)</u>	<u>71</u>	<u>71</u>	<u>-</u>
Total Other Long-term Liabilities	<u>67</u>	<u>54</u>	<u>(50)</u>	<u>71</u>	<u>71</u>	<u>-</u>
Total Long-term Obligations	<u>\$ 49,646</u>	<u>\$ 54</u>	<u>\$ (3,601)</u>	<u>\$ 46,099</u>	<u>\$ 3,886</u>	<u>\$ 42,213</u>

STATE OF ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2009

2. Universities-Affiliated Component Units

A summary of bonds payable as of June 30, 2009 include the following (expressed in thousands):

	<u>Final Maturity</u>	<u>Amount</u>
ASU Foundation:		
Series 2004A Variable Rate Revenue Bonds	2034	\$ 22,420
Series 2004B Variable Rate Revenue Bonds	2022	10,360
Series 2003 Lease Revenue Bonds	2034	46,425
Capital Lease	2011	2,147
ACFFC:		
Series 2009 Revenue Bonds	2024	41,240
Series 2009A Lease Revenue Refunding Bonds	2034	22,955
Series 2009B Lease Revenue Refunding Bonds	2022	12,085
Series 2008 Revenue Bonds	2028	16,315
Series 2008 Revenue Refunding Bonds	2039	145,180
Series 2008 Variable Rate Demand Revenue Refunding Bonds	2030	52,620
Series 2005 Tax-Exempt Refunding Bonds	2035	16,005
Series 2003 Revenue Bonds	2035	13,220
Series 2002 Revenue Bonds	2018	24,655
Series 2000 Revenue Bonds	2032	10,080
Unamortized Bond Discount		(2,979)
Downtown Phoenix Student Housing:		
Series 2007A&C Revenue Bonds	2042	119,040
Series 2007B Revenue Bonds	2012	785
Series 2007D Tax-Exempt Revenue Bonds	2042	22,700
Unamortized Bond Discount		(1,259)
NACFFC:		
Series 2008 Refunding Bonds	2033	36,390
North Campus Lease Revenue Serial and Term Bonds	2036	12,170
Unamortized Bond Discount		(38)

Scheduled future maturities of Universities-affiliated component units' bonds payable are as follows (expressed in thousands):

Fiscal Year	ASU Foundation	ACFFC	Downtown Phoenix Student Housing	
			Housing	NACFFC
2010	\$ 1,799	\$ 4,400	\$ -	\$ 785
2011	1,875	5,795	600	850
2012	1,988	8,455	655	915
2013	1,755	8,995	430	985
2014	1,835	9,580	610	1,060
Thereafter	72,100	314,151	140,230	43,965
Total	\$ 81,352	\$ 351,376	\$ 142,525	\$ 48,560

H. CONDUIT DEBT

During the year ended June 30, 2009, the Greater Arizona Development Authority (GADA) issued \$26.725 million of Bonds, Series 2009A for public infrastructure projects in the communities of the Mayer Fire District, Pinal County, and the City of San Luis. During the year ended June 30, 2009, the GADA issued \$16.300 million of Bonds, Series 2009B for public infrastructure projects in the communities of the City of El Mirage and the Town of Sahuarita. The GADA's bond structure allows it to lower borrowing costs for Arizona's communities by issuing and selling bonds tax-exempt and by sharing financing costs among several borrowers. Eligible applicants include cities, towns, counties, Indian tribes, and certain special districts. Principal and

STATE OF ARIZONA
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JUNE 30, 2009

interest are payable semiannually. Loans are secured by the Pledged Collateral Reserve Fund, a requirement that is calculated and deposited by the GADA from the GADA Fund, which is held by the State Treasurer. Some borrowers also have separate, additional reserve funds, which are held by the Trustee. An intercept mechanism of state-shared revenues for political subdivisions enhances the security of the GADA bonds.

In previous years, the State appropriated a total of \$20.000 million to the GADA for the express purpose of securing bonds issued by the GADA. As of June 30, 2009, the remaining balance in the appropriations account was \$14.252 million including interest earned. Although issued in the name of the GADA, loans funded through the GADA bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to ARS §41-1554.08, the GADA's bonds do not constitute nor create a general, special, or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. The only exposure to the State is related to the *restricted* net assets of \$9.860 million in the Pledged Collateral Reserve Fund. As such, the Series 2009A and 2009B bonds do not constitute a legal debt of the State and are not enforceable against the State. At June 30, 2009, the total outstanding face value of all bonds issued by the GADA was \$368.335 million.

I. RELATED PARTY TRANSACTIONS

The UMC and the U of A both provide and receive services from each other under various contracts. Payments to the U of A by the UMC include mission and program support, resident and intern salaries, utilities, ground maintenance, mailroom operations, and various administrative functions. Amounts paid to the U of A for these services were approximately \$27.556 million for the year ended June 30, 2009. At June 30, 2009, the amount outstanding for mission support agreements is \$4.920 million.

The UMC has entered into contractual agreements with the U of A to provide support for the academic mission of the U of A. Charges to the U of A for such services and facilities provided by the UMC were approximately \$9.040 million for the year ended June 30, 2009. This amount is included in sales and charges for services in the accompanying financial statements.

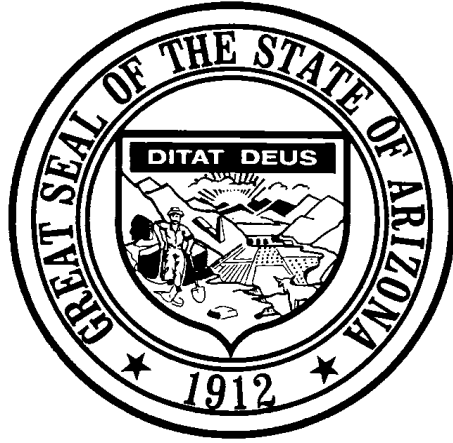
The UMC also has an agreement to provide health care services to members of an AHCCCS health plan owned by University Physicians Healthcare (UPH) called University Family Care (UFC). UFC, an AHCCCS-funded health maintenance organization (HMO), manages approximately 15,000 members. The UMC provides health care services to UFC members in the normal course of business. The UMC operates under a contract with UFC at rates that are substantially the same as rates received from other unaffiliated AHCCCS HMOs. Such rates are generally at or below the maximum rates established by AHCCCS and do not cover the UMC's costs of providing care to UFC members. Sales and charges for services include \$20.312 million from this payor, based on negotiated rates.

During fiscal year 2009, AHCCCS committed approximately \$28.000 million to the UMC related to the UMC's eligible unreimbursed Indirect Medical Education (IME) costs. Of the \$28.000 million, \$8.000 million was paid to the UMC in 2009, with the remainder received by the UMC subsequent to year-end. The availability of these funds was made possible due to the UMC's unreimbursed IME costs and facilitated by matching funds made available by the U of A and Pima County. Pursuant to a separate but related agreement, the UMC agreed to pay \$21.000 million of the funds to UPH in support of unreimbursed costs of residents and fellows incurred by UPH. At June 30, 2009, a receivable in the amount of \$23.000 million is recorded in the accompanying financial statements. At June 30, 2009, accounts payable included \$14.500 million due to UPH under this agreement.

J. SUBSEQUENT EVENTS

In July 2009, the WIFA issued \$148.785 million of Water Quality Revenue Bonds, Series 2009A and \$39.655 million of Water Quality Revenue Refunding Bonds, Series 2009A, due in annual principal installments ranging from \$3.000 million to \$11.610 million, plus semi-annual interest ranging from 2.00% to 5.00% through October 1, 2029.

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REQUIRED
SUPPLEMENTARY
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

GENERAL FUND	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
General Accounting Office			
Assistant Attorney General Salary Adjustments	\$ 982,800	\$ 100	\$ 0
Capital Outlay - Navajo	500,000	500,000	500,000
Equalization Aid - Cochise	5,833,400	5,833,400	5,833,400
Equalization Aid - Graham	14,775,700	14,775,700	14,775,700
Equalization Aid - Navajo	5,386,500	5,386,500	5,386,500
Equalization Aid - Yuma La Paz	1,931,400	1,931,400	1,931,400
General Relief	0	255,778	253,989
Health Insurance Adjustments	2,291,500	2,600	0
HR Pro Rata Adjustments	38,400	100	0
IT Planning Adjustments	375,000	0	0
LP and PLTO Adjustments	274,000	0	0
Nursing Education Demonstration Project	0	4,000,000	4,000,000
Operating State Aid - Cochise	8,303,100	7,660,604	7,660,604
Operating State Aid - Coconino	3,245,400	2,994,270	2,994,270
Operating State Aid - Gila	713,000	657,828	657,828
Operating State Aid - Graham	5,173,200	4,772,897	4,772,897
Operating State Aid - Maricopa	55,416,100	51,127,990	51,127,990
Operating State Aid - Mohave	4,063,300	3,748,881	3,748,881
Operating State Aid - Navajo	4,250,300	3,921,411	3,921,411
Operating State Aid - Pima	18,874,100	17,413,618	17,413,618
Operating State Aid - Pinal	5,854,300	5,401,293	5,401,293
Operating State Aid - Yavapai	4,903,400	4,523,974	4,523,974
Operating State Aid - Yuma La Paz	5,512,600	5,086,034	5,086,034
Rent Adjustments	1,574,000	6,600	0
Rent Adjustments	1,060,000	2,100	0
Retirement Adjustments	1,025,500	900	0
Retirement Adjustments	9,033,400	301,800	0
Risk Management Adjustments	292,000	0	0
Salary Adjustments	6,584,200	6,100	0
Telecommunications Adjustments	913,800	0	0
Woolsey Flood District	38,614	38,614	38,614
Department of Administration			
Administrative Adjustments	0	162,749	162,749
Administrative Adjustments	0	417,160	417,160
Administrative Adjustments	0	84,926	84,926
Administrative Adjustments	0	178,774	178,774
Arizona Financial Information System	1,115,200	1,120,500	1,059,362
Building Renewal FY00 - 01	10,186	10,186	0
Building Renewal FY05 - 06	37,876	37,876	33,162
Building Renewal FY06 - 07	204,357	189,330	136,089
Building Renewal FY06 - 07	1,432,221	1,432,221	1,395,315
Building Renewal FY07 - 08	4,809,988	4,537,366	3,324,525
Building Renewal FY08 - 09	6,100,000	882,300	689,084
Capital Mall Fire System Replace NEBT	491,000	491,000	69
Cash Transfer To General Fund	0	2,980,000	2,980,000
Cash Transfer To General Fund	0	1,356,300	1,356,300
Cash Transfer To General Fund	0	131,100	131,100
Cash Transfer To General Fund	0	249,200	249,200
Cash Transfer To General Fund	0	14,614,800	14,614,800
Classification Pilot Program	122,454	122,454	0
County Attorney's Immigration Enforcement	2,430,000	2,430,000	2,430,000
DJC HVAC and Electrical Renovations	575,009	575,009	385,257
ENSCO	2,867,300	2,867,300	2,867,300
HB1464 Personnel Reform	273,045	273,045	0

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
HRIS Certificate Of Participation	4,354,000	4,354,000	4,354,000
Old Health Laboratory Renovation	1,207,000	0	0
Operating Lump Sum Appropriation	19,181,100	12,384,535	12,373,867
Operating Lump Sum Appropriation	5,650,100	5,590,700	4,009,867
Operating Lump Sum Appropriation	14,198,400	14,064,000	12,003,919
Operating Lump Sum Appropriation	1,272,300	1,263,000	1,051,173
Operating Lump Sum Appropriation - COSF	5,200,700	5,200,700	3,914,606
Operating Lump Sum Operating - Federal Surplus	444,300	444,300	112,283
PLTO 1 Backfill Agency Relocations FY01 - 02	4	4	0
PLTO 1 Backfill Agency Relocations FY02 - 03	243,490	243,490	0
PLTO 1 Backfill Space Renovations	106,402	106,402	0
PLTO 1 Backfill Space Renovations FY01 - 02	847	847	0
PLTO 1 Backfill Space Renovations FY02 - 03	348,161	348,161	0
PLTO 1 Project Management FY01 - 02	1	1	0
PLTO 1 Project Management FY02 - 03	55,659	55,659	0
PLTO 1 Project Management FY03 - 04	144,694	144,694	0
Prison Cell Locks/Door Replacement GF FY06 - 07	4,218,563	4,218,563	4,130,541
Prison Cell Locks/Door Replacement GF FY07 - 08	1,925,132	(1,274,868)	(1,274,868)
Relocation FY00 - 01	60,000	60,000	0
Relocation FY01 - 02	59,026	59,026	0
Relocation FY06 - 07	33,383	33,383	3,350
Relocation FY07 - 08	59,851	59,851	0
Relocation FY08 - 09	60,000	60,000	0
Relocation FY99 - 00	46,526	46,526	0
State Boards Lump Sum Appropriation	260,000	284,700	284,495
State Boards Lump Sum Appropriation FY07 - 08	20,686	20,686	20,686
State Surplus Property Sales Proceeds	3,000,000	3,000,000	1,152,257
SW Telecommunications Mgt Contract Lease	851,800	851,800	809,477
Treasurer's Warrant Notes Interest	0	50,576	50,576
Utilities	625,700	625,700	625,700
Utilities	7,349,900	7,349,900	7,027,710
Radiation Regulatory Agency			
Administrative Adjustments	0	1,233	1,233
Cash Transfer To General Fund	0	4,300	4,300
General Fund Transfer to NEMF SB 1037	0	612,548	612,500
Operating Lump Sum Appropriation	1,628,200	991,200	990,671
Service Fees Increase	0	400,000	349,292
Office of Equal Opportunity			
Operating Lump Sum Appropriation	245,200	249,300	216,766
Attorney General			
Administrative Adjustments	0	62,995	62,995
Administrative Adjustments	0	168,173	168,173
Cash Transfer To General Fund	159,300	159,300	159,300
Crane Elementary School Case	20,989	20,989	0
Legal Arizona Workers Act	96,003	96,003	(3,997)
Military Installation/Planning	0	100,000	74,475
Military Installation/Planning FY05 - 06	2	2	0
Military Installation/Planning FY07 - 08	32,367	32,367	32,367
Operating Lump Sum Appropriation	21,122,900	21,328,400	21,229,747
Operating Lump Sum Appropriation	12,329,300	13,378,800	12,364,418
State Grand Jury	160,000	179,000	178,821
Department of Agriculture			
Administrative Adjustments	0	23,325	23,325
Agricultural Employment Relations Board	23,300	23,300	23,300
Animal Damage Control	65,000	65,000	65,000
Operating Lump Sum Appropriation	12,006,000	10,056,300	10,049,835

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Red Imported Fire Ant	23,200	23,200	23,200
Arizona State University			
Biomedical Informatics	3,051,800	2,575,721	2,575,721
Downtown Phoenix Campus	35,153,600	26,033,709	26,033,709
Operating Lump Sum Appropriation - Main	363,698,700	266,746,636	266,746,636
Operating Lump Sum Appropriation-East	31,092,300	22,821,693	22,821,693
Operating Lump Sum Appropriation-West	56,796,300	41,233,184	41,233,184
Research Infrastructure Lapp-Polytechnic	0	773,948	773,948
Research Infrastructure Lease-Purch Pymt	0	11,440,429	11,440,429
Auditor General			
Operating Lump Sum Appropriation	17,891,900	15,179,400	14,902,528
Operating Lump Sum Appropriation FY02-03	293,330	0	0
Operating Lump Sum Appropriation FY03-04	375,518	0	0
Operating Lump Sum Appropriation FY04-05	405,827	0	0
Operating Lump Sum Appropriation FY05-06	584,183	187,317	187,317
Operating Lump Sum Appropriation FY06-07	2,083,792	1,858,555	1,858,555
Operating Lump Sum Appropriation FY07-08	403,114	190,892	4
Procurement Study	291,000	0	0
Department of Financial Institutions			
Administrative Adjustments	0	209	209
Operating Lump Sum Appropriation	3,806,800	3,304,900	3,304,393
State Board of Nursing			
CNA Fingerprinting	166,000	97,600	97,589
Arizona Board of Regents			
Administrative Adjustments	0	2,207,082	2,207,082
Arizona Teachers Incentive Program	90,000	90,000	90,000
AZ Transfer Articulation Support System	213,700	213,700	213,700
Math and Science Teacher Initiative	2,250,000	364,400	364,400
Operating Lump Sum Appropriation	2,404,100	2,344,100	(1,694,796)
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	116,000	120,000	120,000
Wiche Student Subsidies	4,115,000	3,982,600	3,894,406
Cosmetology Board			
Operating Lump Sum Appropriation	300,000	300,000	293,392
Corporation Commission			
Administrative Adjustments	0	714	714
Cash Transfer To General Fund	0	500	500
Operating Lump Sum Appropriation	5,542,500	4,216,100	4,213,034
Operating Lump Sum Appropriation	48,300	51,100	51,036
Railroad Warning Systems	47,510	47,510	0
Court of Appeals Division I			
Operating Lump Sum Appropriation - Div I	9,657,700	9,599,800	9,588,572
State Board for Charter Schools			
Administrative Adjustments	0	298,408	298,408
Operating Lump Sum Appropriation	1,051,000	723,200	699,941
Court of Appeals Division II			
Administrative Adjustments	0	1,278	1,278
Operating Lump Sum-Division II	4,296,100	4,275,000	4,273,688
Department of Corrections			
Administrative Adjustments	0	5,681,894	5,681,894
All Other Operating Expenditures	0	90,790	(299)
All Other PS and ERE (ERE)	30,026,326	28,191,568	28,175,585
All Other PS and ERE (ERE)	127,154	125,550	59,184
All Other PS and ERE (PS)	71,491,254	65,945,034	65,621,777
All Other PS and ERE (PS)	302,746	298,450	171,851
Cash Transfer To General Fund	0	339,600	339,600

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Cash Transfer To General Fund	0	21,100	21,100
Correctional Officer PS and ERE (ERE)	118,521,149	133,475,390	133,475,380
Correctional Officer PS and ERE (PS)	289,665,963	299,299,963	299,171,616
County Jail Beds	866,200	806,600	775,170
Electronic Monitoring Of Sex Offenders	0	96,225	96,225
Health Care All Other Operating Exp	76,175,400	77,925,400	74,311,842
Health Care All Other Operating Exp FY06 - 07	0	0	(8,958)
Health Care PS and ERE (ERE)	11,983,808	13,604,545	13,595,172
Health Care PS and ERE (PS)	37,449,400	39,350,000	39,265,215
Non-Health Care All Other Operating Exp	180,000	180,000	177,555
Non-Health Care All Other Operating Exp	119,035,300	122,540,400	120,012,009
Non-Health Care All Other Operating Exp FY06 - 07	0	0	(5,219)
Overtime Compensatory Time	24,331,400	9,858,700	9,739,069
Private Prison Per Diem	52,478,300	53,058,900	53,058,476
Provisional Beds	113,179,700	81,567,600	79,129,649
Department of Economic Security			
ADM Attorney General Legal Services	755,700	667,100	667,100
ADM Attorney General Legal Services	167,900	168,000	129,656
ADM Attorney General Legal Services	17,300	17,300	12,756
ADM Finger Imaging	461,400	161,300	160,940
ADM Finger Imaging	277,500	127,500	47,951
ADM High Performance Bonus	21,489	21,489	0
ADM Operating Lump Sum Appropriation	34,119,400	26,082,600	26,082,600
ADM Operating Lump Sum Appropriation	6,565,500	3,137,100	2,746,729
ADM Operating Lump Sum Appropriation	1,147,600	823,700	370,559
ADM Statewide Cost Allocation Plan Fund	1,000,000	1,000,000	1,000,000
ADM WIA Operating Lump Sum	0	225,000	0
Administration Federal Reed Act Grant 4050	259,200	259,200	0
Administration Tri-agency Disaster Recovery	271,500	0	0
Administrative Adjustments	0	7,542,254	7,542,254
Administrative Adjustments	0	6,857,125	6,857,125
Administrative Adjustments	0	31,951,091	31,951,091
Administrative Adjustments	0	22,242,375	22,242,375
Administrative Adjustments	0	1,000,000	1,000,000
Administrative Adjustments	0	7,602,426	7,602,426
Cash Transfer To General Fund	0	8,306,100	8,306,100
Cash Transfer To General Fund	0	334,700	334,700
DACS Adult Services	19,277,700	16,916,500	15,652,893
DACS Community And Emergency Services	5,424,900	4,788,400	3,564,684
DACS Coordinated Homeless Program	1,155,400	873,100	861,650
DACS Coordinated Homeless Program	1,649,500	1,649,500	1,432,305
DACS Coordinated Hunger Program	1,514,600	1,347,000	1,236,049
DACS Coordinated Hunger Program	500,000	500,000	473,103
DACS Domestic Violence Prevention	8,326,700	5,409,500	5,277,138
DACS Domestic Violence Prevention	6,620,700	6,620,700	5,920,405
DACS Lifespan Respite Care	500,000	150,000	150,000
DACS Lifespan Respite Care Program	198,762	198,762	170,213
DACS Marriage and Communication Skills	20,983	20,983	0
DACS Marriage Handbook	540	540	0
DACS Marriage Skills Training	9,301	9,301	0
DACS Navajo Nation Multipurpose Center	1,000,000	1,000,000	1,000,000
DACS Navajo Nation Multipurpose Facility FY06 - 07	450,000	450,000	59,367
DACS Navajo Nation Senior Centers	45,000	45,000	0
DACS Navajo Senior Center	144,759	144,759	98,848
DACS Navajo Senior Centers-Birdsprings	65,000	65,000	0
DACS Navajo Senior Centers-Dilcon	30,000	30,000	30,000

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DACS Navajo Senior Centers-White Cone	30,000	30,000	11,810
DACS Operating Lump Sum Appropriation	6,822,400	3,978,100	3,978,100
DACS Operating Lump Sum TANF	247,500	247,600	188,617
DACS Risk Management	0	271,500	0
DACS Serving Homeless Excess FY06 - 07	998	998	998
DACS Serving Homeless Excess FY07 - 08	7	7	7
DACS TANF Short-Term Crisis Services	2	2	0
DACS Tribal Senior Centers - Navajo	46,351	46,351	0
Day Care Subsidy	64,285,800	89,785,800	82,271,257
Day Care Subsidy Care TANF	15,083,100	47,979,900	28,265,996
DBME DTA-Document Management	494,600	74,100	74,100
DBME Eligibility System Upgrade (ASRP)	963,300	134,500	103,300
DBME Eligibility System Upgrade (ASRP)	5,468,000	0	0
DBME General Assistance	2,060,800	1,544,000	1,514,099
DBME Operating Lump Sum Appropriation	23,851,900	26,112,600	24,220,300
DBME Operating Lump Sum Appropriation	14,934,800	13,824,500	13,391,425
DBME TANF Cash Benefits	45,850,800	50,590,500	49,754,111
DBME TANF Cash Benefits	79,297,200	65,297,200	64,297,200
DBME Tribal Pass-Thru Funding	4,288,700	5,003,100	4,875,853
DBME Tuberculosis Control	32,200	8,200	7,030
DCFS Intensive Family Services	1,985,600	1,489,200	1,489,200
DCSE Attorney General Legal Services	12,221,700	11,394,100	11,394,100
DCSE Attorney General Legal Services	52,200	52,200	39,190
DCSE County Participation	6,845,200	8,645,200	7,262,730
DCSE Genetic Testing	122,400	32,400	32,400
DCSE Genetic Testing	360,000	360,000	124,170
DCSE Operating Lump Sum Appropriation	8,087,000	6,931,400	6,891,400
DCSE Operating Lump Sum Appropriation	48,729,300	50,009,800	38,614,818
DCYF Adopt Services Family Preservation FY06	1,000,000	1,000,000	0
DCYF Adoption Services (DCFS)	35,942,200	35,942,200	35,942,200
DCYF Adoption Services Family Preservation Project	700,000	500,000	448,087
DCYF Adoption Services TANF	19,302,400	19,302,400	19,302,400
DCYF Attorney General Legal Services	910,600	711,600	711,600
DCYF Attorney General Legal Services	9,922,500	9,924,800	7,748,135
DCYF Child Support Services TANF - SSBG	5,371,700	5,371,700	2,510,909
DCYF Children Support Svcs - GF	45,403,300	39,500,000	33,142,925
DCYF Children Support Svcs - TANF	24,557,400	24,557,400	24,022,044
DCYF Comprehensive Med and Dental (DCFS)	2,057,000	1,757,000	1,757,000
DCYF CPS Appeals	732,900	732,300	732,300
DCYF Education and Training Vouchers	700,000	200,000	200,000
DCYF Emergency Placement - GF	2,180,100	3,680,100	2,180,100
DCYF Emergency Placement - TANF	672,700	672,700	659,439
DCYF Emergency Placement TANF - SSBG	2,333,700	2,333,700	2,333,700
DCYF Family Builders TANF (DCYJ)	5,200,000	3,200,000	3,192,378
DCYF Foster Care Placement - GF	17,139,500	18,337,200	16,562,505
DCYF Foster Care Placement - TANF	1,148,700	1,148,700	1,115,670
DCYF Foster Care Placement TANF - SSBG	5,074,400	5,074,400	5,074,400
DCYF Healthy Families	5,715,800	0	0
DCYF Healthy Families (TANF)	5,034,200	0	0
DCYF Homeless Youth Intervention	400,000	266,700	266,700
DCYF Independent Living Maintenance	3,136,000	3,136,000	3,136,000
DCYF Joint Sub Abuse Treat-GF	5,224,500	4,462,000	3,992,796
DCYF Operating Lump Sum Appropriation	61,447,000	56,605,000	56,605,000
DCYF Operating Lump Sum Appropriation	36,546,100	40,112,300	38,111,835
DCYF Permanent Guard Subsidy	1,743,000	1,743,000	1,743,000
DCYF Permanent Guardianship Subsidy	7,192,300	6,122,300	6,003,704

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
DCYF Resident Placement TANF - SSBG	9,833,300	9,833,300	9,276,731
DCYF Residential Placement - GF	6,543,400	7,743,400	5,943,400
DCYF Residential Placement - TANF	1,333,300	1,333,300	1,278,227
DCYF Substance Abuse Treatment (TANF)	2,000,000	2,000,000	1,834,546
DDD Arizona Early Intervention Program	3,500,000	1,843,700	1,843,700
DDD Arizona Training Program At Coolidge	572,400	96,400	95,594
DDD Case Management	4,537,600	3,947,000	3,947,000
DDD Children's Autism Intensive Behavior	1,800,000	1,800,000	1,350,000
DDD Children's Autism Intensive-Toddlers	500,000	500,000	500,000
DDD Home and Communication Based System	848,100	848,100	500,000
DDD Home and Community Based Services	35,873,900	29,267,800	27,202,146
DDD Institutional Services	294,900	204,900	139,375
DDD Operating Lump Sum Appropriation	16,680,500	16,402,800	16,402,800
DDD State Funded LTC Services	762,900	1,762,900	837,500
DDD State Funded LTC Services	25,620,300	25,620,400	24,993,159
DERS CCCA Sliding Fee Scales TANF	2,423,734	2,423,734	0
DERS Daycare Subsidy	82,920,100	33,023,300	21,014,877
DERS Fed Reed Act Grant 4050	3,236,500	3,236,500	0
DERS Independent Living Rehabilitation Svcs	784,200	743,200	720,872
DERS JOBS	2,000,000	2,000,000	2,000,000
DERS JOBS	1,825,200	0	0
DERS JOBS	18,246,500	13,973,700	12,475,381
DERS Operating Lump Sum Appropriation	9,847,000	8,533,800	7,902,200
DERS Operating Lump Sum Appropriation	5,897,400	5,900,200	5,900,200
DERS Operating Lump Sum Appropriation	10,508,800	10,839,200	9,162,755
DERS Summer Youth Employment	750,000	750,000	750,000
DERS Transitional Child Care	36,193,000	28,893,000	26,755,373
DERS Vocational Rehabilitation Services	4,714,400	3,467,800	3,467,800
DERS WIA Discretionary	3,614,000	3,614,000	2,585,793
DERS WIA Operating Lump Sum	2,282,600	2,058,700	0
DERS Workforce Investment Act Programs	48,040,600	48,040,600	36,080,643
LTC Arizona Training Program At Coolidge	17,083,200	18,017,000	14,933,491
LTC AZ Training Program Coolidge	5,829,200	5,643,600	5,643,600
LTC Case Management	14,546,700	13,769,700	13,769,700
LTC Case Management	42,630,900	37,640,600	31,600,292
LTC Home and Community Based Services	207,298,400	159,947,012	159,927,679
LTC Home and Community Based Services	608,905,600	702,251,688	585,861,680
LTC Institutional Services	5,174,600	5,072,800	5,072,800
LTC Institutional Services	15,164,800	20,235,700	17,617,938
LTC Medical Services	46,100,700	45,398,500	45,398,500
LTC Medical Services	135,103,500	119,104,100	108,625,234
LTC Medicare Clawback Payments	2,206,600	2,206,600	2,206,600
LTC Operating Lump Sum Appropriation	40,744,800	41,298,800	31,784,045
Department of Juvenile Corrections			
Administrative Adjustments	0	574,699	574,699
Cash Transfer To General Fund	0	99,700	99,700
Operating Lump Sum Appropriation	2,682,500	2,684,800	2,423,787
Operating Lump Sum Appropriation	74,057,900	72,200,400	71,828,983
Department of Transportation			
Lump Sum Appropriation-Hwys	84,600	72,500	69,734
Department of Education			
Achievement Testing	7,905,900	7,883,571	7,883,571
Additional State Aid To Schools	404,880,500	320,065,516	295,940,789
Administrative Adjustments	0	48,474,168	48,474,168
Adult Education Assistance	4,477,900	4,241,098	4,241,098
AIMS Intervention; Dropout Prevention	5,550,000	5,550,000	5,499,188

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Basic State Aid Deferred Payment FY08	0	272,000,000	272,000,000
Basic State Aid Entitlement	3,296,549,500	2,947,520,184	2,945,863,923
Basic State Aid Reduced Apportion Costs	0	627,700	0
Cash Transfer To General Fund	0	78,700	78,700
Cash Transfer To General Fund	23,200	23,200	23,200
Chemical Abuse	826,300	764,257	642,637
Compensatory Instruction Fund Deposit	10,000,000	10,000,000	5,350,514
Employee Discipline and Risk Mgmt Techniques	2	2	0
English Language Acquisition FY06 - 07	3,264,162	1,798,611	1,005,035
English Language Acquisition FY08 - 09	5,025,500	4,731,916	4,731,916
English Language Instruction FY08 - 09	0	41,300,133	41,300,133
English Learner Classroom Bonus Fund FY02-03	1,017	(8,000)	(8,000)
English Learner Classroom Bonus Fund FY03-04	0	(135,737)	(135,737)
English Learner Classroom Bonus Fund FY04-05	0	(248,719)	(248,719)
English Learner Instruction FY04 - 05	0	(11,834)	(12,659)
English Learner Material	0	(24,159)	(25,963)
English Learner Teacher FY02 - 03	0	(31,694)	(57,025)
English Learner Teacher FY03 - 04	0	(215,907)	(215,907)
English Learner Teacher FY04 - 05	3,443,972	2,161,663	1,699,863
Extended School Year	500,000	500,000	500,000
Family Literacy	1,011,300	971,038	971,038
Gifted Support	3,385,300	3,109,808	3,055,887
Math and Science Initiatives	2,500,000	633,513	630,708
Math and Science Initiatives FY07 - 08	0	1,869,293	1,869,293
Non-Formula Programs-Operating '09	217,700	217,700	217,700
Non-Formula Programs-Operating '09	1,548,400	858,627	858,627
Operating Lump Sum - Administration	6,705,300	6,135,255	6,135,255
Operating Lump Sum - Formula Programs	2,198,700	6,993,580	5,318,614
Operating Lump Sum Appropriation	692,500	418,281	418,281
Operating Lump Sum Appropriation	383,600	383,700	383,700
Optional Performance Incentive Programs	120,000	0	0
Other State Aid To Districts '07	983,900	983,900	772,529
Parental Choice For Reading Success	1,000,000	0	0
Reading First Initiative	0	0	(90,460)
School Accountability	39,400	39,400	39,400
School Safety Program	6,728,300	6,285,539	6,176,354
School Safety Program FY06 - 07	7,828	7,828	7,828
School Safety Program FY07 - 08	624,721	624,721	624,721
Small Pass-Through Programs	681,600	556,400	556,400
Special Education Fund	35,237,700	40,237,700	40,237,700
State Block Grant For Early Childhood Education	19,457,100	18,337,530	18,337,530
State Block Grant For Vocational Education	11,467,200	11,397,299	11,397,299
Statewide Compensatory Instruction Fund	0	(980,465)	(980,465)
Teacher Certification	1,994,000	1,971,400	1,869,500
Vocational Education Extended Year	600,000	190,879	190,879
Department of Commerce			
Administrative Adjustments	0	26,218	26,218
Agriculture Preservation District	26,747	26,747	0
Apprenticeship Services Office	179,200	156,600	155,940
Arizona 21st Century Competitive Initiative Fund	0	22,500,000	22,500,000
Cash Transfer To General Fund	0	1,144,000	1,144,000
Cash Transfer To General Fund	0	25,736,047	25,736,047
Commerce And Econ Development Commission	14,812,002	14,812,002	13,945,880
Greater Arizona Development Authority	2,000,000	0	0
International Trade Offices	1,328,000	487,800	442,377
Military Base Economic Research Study	50,000	50,000	0

The Notes to Required Supplementary Information are an integral part of this schedule.

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Military Installation GF Transfer	0	25,000	25,000
Military Installation Operating	0	56,300	55,487
Military Installation Operating FY05 - 06	6,172	6,172	0
Military Installation Operating FY06 - 07	5,114	5,114	0
Military Installation Operating FY07 - 08	6,820	6,820	0
Motion Picture Development	337,700	0	0
Motion Picture Prod Tax Incentive Admin	0	337,700	304,329
Operating Lump Sum Appropriation	4,021,400	2,952,200	2,829,554
Operating Lump Sum Appropriation	139,500	144,700	137,286
Rural Economic Development	323,900	202,100	200,032
State Board of Equalization			
Operating Lump Sum Appropriation	653,500	602,500	602,450
Department of Environmental Quality			
Administrative Adjustments	0	156,744	156,744
Aquifer Protection Permit Program	788,700	788,700	787,513
Cash Transfer To General Fund	0	5,687,800	5,687,800
Counties Travel Deduction Plan	1,676,900	176,900	176,900
Drinking Water Revolving Loan Program	893,200	0	0
Indirect Cost Recovery Fund Supplemental	2,000,000	2,000,000	1,828,101
Operating Lump Sum Appropriation	10,531,000	10,748,200	352,484
Operating Lump Sum Appropriation	12,400,600	5,720,600	5,709,038
Relief Bill Cash Transfer FY09	0	6,922	6,922
Water Infrastructure Finance Authority	1,551,900	0	0
Game and Fish Department			
Cash Transfer To General Fund	0	145,000	144,218
Arizona Geological Survey			
Earth Fissure Maps	178	178	178
Operating Lump Sum Appropriation	1,073,900	962,800	961,595
Government Information Technology Agency			
2-1-1 System	1,175,200	425,100	425,100
Administrative Adjustments	0	497,628	497,628
Administrative Adjustments	0	5,109	5,109
Cash Transfer To General Fund	0	629,000	629,000
Cash Transfer To General Fund	0	633,600	633,600
E-Health Initiative	1,500,000	0	0
Operating Lump Sum Appropriation	5,000,000	5,000,000	645,525
Operating Lump Sum Appropriation	2,758,600	2,815,100	2,295,964
PS Comm Systems - Interoperability	0	358,501	0
Public Safety Communications Program	880,600	803,400	639,486
SW Information Security and Privacy Office	870,300	870,300	676,860
Governor's Office			
Administrative Adjustments	0	39	39
Emergency Fund	0	2,604,509	0
Emergency Fund FY07 - 08	0	1,450,024	0
Operating Lump Sum Appropriation	7,134,800	7,384,900	6,319,767
Operating Lump Sum Appropriation FY06 - 07	481,703	14,766	8,153
Operating Lump Sum Appropriation FY07 - 08	653,404	552,741	422,416
Operating Lump Sum Appropriation-OSPB	2,209,900	2,149,600	2,147,288
Arizona Health Care Cost Containment System			
Administrative Adjustments	0	52,019,049	52,019,049
Administrative Adjustments	0	61,648,938	61,648,938
Administrative Adjustments	0	10,340,983	10,340,983
Breast and Cervical Cancer	1,164,500	764,500	695,388
Breast and Cervical Cancer	365,500	220,390	218,086
Capitation	608,625,400	486,580,150	486,469,297
Capitation	1,443,017,300	1,478,842,300	1,464,054,537

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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Cash Transfer To General Fund	0	1,963,300	1,963,300
Cash Transfer To General Fund	0	17,830,500	17,830,500
CHIP - Parents	8,336,300	5,925,545	5,925,545
CHIP - Services	32,996,800	25,907,000	25,907,000
Critical Access Hospitals	580,100	458,782	425,202
Critical Access Hospitals	1,119,900	1,119,900	1,117,718
DES Eligibility	26,466,700	29,167,600	26,467,600
DES Eligibility	29,220,700	29,220,700	24,522,022
DES Eligibility System Upgrade	1,300,000	137,431	127,431
DES Eligibility System Upgrade	1,300,000	1,300,000	93,077
DES Title XIX Pass Through	154,000	151,400	120,915
DES Title XIX Pass Through	203,800	203,800	138,505
Disproportionate Share Payments	8,922,200	8,950,358	0
Disproportionate Share Payments	21,427,800	21,399,643	4,202,300
DOA Data Center Charges	1,724,700	2,528,200	2,292,617
DOA Data Center Charges	3,992,800	6,106,000	5,532,472
Dual Eligible Part D Copay Subsidy/Acute	1,029,700	2,151,000	2,150,993
Dual Eligible Part D Copay Subsidy-LTC	470,300	588,527	588,527
Fee For Service	108,552,200	93,060,990	92,910,854
Fee For Service	464,843,500	419,843,500	418,823,185
Graduate Medical Education	15,323,100	11,222,059	0
Graduate Medical Education	29,583,100	32,696,200	0
Healthcare Group Admin	5,000,000	2,800,000	2,800,000
Indian Advisory Council	116,600	116,600	108,590
Indian Advisory Council	116,300	116,300	107,032
KidsCare Administration	2,226,200	2,341,900	2,300,369
Long Term Care Board Of Nursing	104,800	104,800	104,800
Long Term Care Board Of Nursing	104,900	104,900	104,800
Medical Clawback Payments - Acute Care	28,844,600	28,794,940	28,794,408
Medical Clawback Payments - LTC	11,307,200	11,307,200	11,307,200
Medical Clawback Payments - LTC	9,433,700	9,433,700	9,399,312
Medicare Premiums	29,022,700	22,881,077	22,874,508
Medicare Premiums	67,252,600	67,677,600	67,630,962
Mental Health - Adults	45,368	45,368	0
New and Expanded Graduate Medical Education Program	958,535	958,535	0
New and Expanded Graduate Medical Education Program	4,494,824	4,494,824	0
Office Of Administrative Hearings	271,300	271,300	217,750
Operating Lump Sum Appropriation	28,585,800	26,478,500	26,017,102
Operating Lump Sum Appropriation	104,355,200	121,151,300	121,151,300
Operating Lump Sum Appropriation	41,521,800	36,808,600	34,592,869
Operating Lump Sum Appropriation	0	29	0
Operating Lump Sum Appropriation	1,023,680,200	1,031,680,200	983,799,874
Operating Lump Sum Appropriation	45,793,300	45,793,300	0
Prop 204 - Capitation	224,247,700	218,066,648	216,617,616
Prop 204 - Capitation	54,004,600	48,996,700	46,828,921
Prop 204 - Capitation	794,114,800	1,015,585,200	1,015,449,744
Prop 204 - Capitation	114,004,100	114,004,100	114,004,100
Prop 204 - County Hold Harmless	4,825,600	0	0
Prop 204 Fee-For-Service	47,747,000	38,171,399	37,095,859
Prop 204 Fee-For-Service	195,628,100	181,628,100	176,639,932
Prop 204 Medicare	20,629,400	20,629,400	20,568,430
Prop 204 Pass Through Admin	22,050,800	18,299,369	18,265,909
Prop 204 Pass Through Admin	18,737,300	18,737,300	16,703,487
Prop 204 Pass Through Admin	2,841,000	2,841,000	2,130,750
Prop 204-Reinsurance	44,336,200	23,865,744	23,796,596
Prop 204-Reinsurance	85,584,000	49,359,000	49,358,961

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Prop 204 Admin Operation 100% Fall Expansion	5,723,600	4,511,700	4,431,979
Prop 204 Admin Operation 100% FPL Expansion	5,678,100	5,678,100	5,183,902
Prop 204 Admin Operation 100% FPL Expansion	0	5	0
Reinsurance	45,807,200	25,560,730	25,470,929
Reinsurance	88,395,000	76,109,000	76,108,924
Rural Hospital Reimbursement	4,148,600	3,038,310	0
Rural Hospital Reimbursement	8,009,500	9,119,800	0
Temporary Medical Coverage	3,247,200	3,247,200	3,137,968
Ticket To Work	3,041,500	1,748,516	1,746,365
Ticket To Work	5,871,900	4,290,757	4,263,715
Office of Administrative Hearings			
Operating Lump Sum Appropriation	14,500	14,500	14,500
Operating Lump Sum Appropriation	1,213,900	1,117,900	1,117,900
Arizona Historical Society			
Field Services and Grants	80,000	65,000	65,000
Operating Lump Sum Appropriation	2,339,900	2,073,900	2,073,900
Papago Park Museum	193,700	194,200	194,200
Papago Park Museum	1,978,900	1,878,900	1,878,900
House of Representatives			
Lump Sum Appropriation FY00 - 01	442,195	442,195	442,195
Lump Sum Appropriation FY01 - 02	0	(382,940)	42,373
Lump Sum Appropriation FY02 - 03	0	(842,055)	0
Lump Sum Appropriation FY03 - 04	593,819	0	0
Operating Lump Sum Appropriation	13,854,800	13,653,400	11,989,731
Operating Lump Sum Appropriation FY04-05	1,009,668	0	0
Operating Lump Sum Appropriation FY05-06	1,901,541	730,024	129,478
Operating Lump Sum Appropriation FY06-07	1,997,741	1,997,741	535
Operating Lump Sum Appropriation FY07-08	1,703,087	1,703,087	3,750
Department of Health Services			
ADHS Indirect Costs AHCCCS - CRS	350,000	350,000	350,000
Administrative Adjustments	0	336,185	336,185
Administrative Adjustments	0	3,618,340	3,618,340
Administrative Adjustments	0	28,611	28,611
Adult Cystic Fibrosis	105,200	105,200	105,200
Adult Sickle Cell Anemia	33,000	25,554	25,554
AHCCCS Rehabilitative Services	0	53,462,500	0
AHCCCS-Childrens Rehabilitative Services	32,640,789	27,688,800	22,736,811
AIDS Reporting and Surveillance	1,125,000	1,125,000	1,114,736
Alzheimer Disease Research	3,000,000	1,125,000	1,125,000
Arnold V. Sarn	9,653,100	9,653,100	0
Arnold V. Sarn	27,500,000	26,150,000	25,700,186
ASH Accreditation	3,140	3,140	0
ASH Corrective Action Plan Supplemental	398,060	398,060	0
Assurance and Licensure	950,200	950,200	0
Assurance and Licensure	343,200	340,200	313,957
Assurance and Licensure	9,392,500	8,762,277	8,707,383
Assurance and Licensure	829,200	829,200	797,802
Attorney General Legal Services	394,900	394,900	394,900
AZ Statewide Immunization Info System	517,500	373,062	373,062
Breast and Cervical Cancer Screening	1,348,600	1,015,800	791,137
Cash Transfer To General Fund	1,000,000	1,000,000	1,000,000
Cash Transfer To General Fund	0	36,800	36,800
Cash Transfer To General Fund	0	821,400	134,200
Cash Transfer To General Fund	0	5,803,200	5,803,200
Children BHS-Tobacco Litigation	1	1	1
Children's Behavioral Health Services	9,351,800	8,320,692	8,313,775

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Children's Bh State Match For Title XIX	261,605,206	283,380,513	0
Children's Bh State Match For Title XIX	122,432,700	106,015,237	106,015,237
Children's Rehabilitative Services	3,587,000	2,815,600	2,815,600
Community Health Centers	8,981,300	6,564,686	6,552,989
Community Placement Treatment	5,574,100	3,263,170	3,263,170
Community Placement Treatment	1,130,700	1,130,700	0
Contract Compliance	3,667,400	3,667,400	0
Contract Compliance	1,856,100	1,182,700	1,182,700
County Prenatal Services Grant	1,148,500	783,600	783,600
County Public Health	200,000	0	0
County Tuberculosis Provider Care and Control	1,410,500	968,400	821,241
Court Monitoring	197,500	197,500	197,500
Diabetes Prevention and Control	400,000	63,527	62,964
Direct Grants	460,300	345,225	345,225
Dual Eligible Part D Copay Subsidy	802,600	466,792	466,792
Electronic Medical Records	300,000	168,233	163,506
Hepatitis C Surveillance	409,300	157,210	157,209
High Risk Perinatal Services	4,980,600	3,493,362	3,338,340
Indirect Cost Fund	8,053,000	8,075,700	7,433,663
Kidney Program	50,500	0	0
Laboratory Services	4,087,900	3,786,060	3,717,343
Loan Repayment	100,000	38,570	36,570
Medicaid Special Exemption Payments	615,300	615,300	615,300
Medicaid Special Exemption Payments BHS	13,454,800	14,185,322	0
Medicaid Special Exemption Payments BHS	6,969,100	7,354,100	7,354,100
Medicaid Special Exemption Payments Chas	1,188,100	1,188,100	0
Medicare Clawback Payments	10,718,100	10,718,100	10,718,100
Mental Health - Non-Title XIX	2,447,300	1,947,300	1,947,237
Mental Health and Substance Abuse State Match for Title XIX	36,133,300	31,426,158	31,426,158
Mental Health and Substance Abuse State Match for Title XIX	77,043,283	82,203,173	0
Operating Lump Sum Appropriation	2,181,000	2,181,000	0
Operating Lump Sum Appropriation	1,578,100	1,578,000	1,572,511
Operating Lump Sum Appropriation	5,063,900	5,063,900	0
Operating Lump Sum Appropriation	14,876,300	13,608,930	13,232,195
Operating Lump Sum Appropriation	3,821,700	3,014,202	2,991,682
Operating Lump Sum Appropriation	5,823,200	4,902,075	4,842,651
Operating Lump Sum Appropriation	4,528,800	4,087,021	4,085,839
Operating Lump Sum Appropriation	50,932,100	49,977,563	49,689,278
Operating Lump Sum Appropriation	4,901,900	5,035,200	4,211,357
Operating Lump Sum Appropriation	1,000,000	1,000,000	1,000,000
Poison Control Center Funding	675,000	524,500	506,250
Prop 204 Administration Title XIX Match	4,404,600	4,404,600	0
Prop 204 Administration Title XIX Match	2,130,200	2,130,200	2,130,200
Prop 204 CBHS Title XIX Match	3,203,621	2,597,997	0
Prop 204 CBHS Title XIX Match	1,546,500	1,013,552	1,013,552
Prop 204 GMH/SA Title XIX Match	78,858,332	89,783,294	0
Prop 204 GMH/SA Title XIX Match	36,964,900	35,127,055	35,127,055
Prop 204 SMI Title XIX Match	152,107,898	170,408,751	0
Prop 204 SMI Title XIX Match	71,300,600	66,305,223	66,305,223
Reg Hearing Aid Dispensers, Audiologists, and SL Pathologists	62,243	62,243	0
Reimbursement To Counties	67,900	50,925	50,043
Renal and Non-Renal Disease Management	468,000	198,000	138,707
Scorpion Antivenom	150,000	120,000	120,000
Senior Food Program	600,000	75,045	41,285
Seriously Emotionally Handicapped Child	500,000	0	0
Seriously Mentally Ill Non-Title XIX	30,191,900	25,524,898	25,501,875

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Seriously Mentally Ill St Mch For T-XIX	146,337,459	156,457,649	0
Seriously Mentally Ill St Mch For T-XIX	68,585,400	59,303,976	59,303,976
Sexually Violent Persons	10,628,100	10,178,850	9,798,083
STD Control Subventions	26,300	0	0
Substance Abuse - Non Title XIX	12,135,400	9,635,400	9,635,026
TANF Perinatal Services	47,270	47,270	0
Telemedicine	260,000	208,000	146,902
Teratogen Program	60,000	35,000	0
U of A Poison Control Center Funding	1,275,000	1,025,500	956,250
Vaccines	8,410,400	1,497,571	1,497,571
Vital Records - Archiving, Cust Svc, Ops	16,715	16,715	550
Vital Records Maintenance	502,200	499,700	468,000
Arizona Commission on the Arts			
Community Service Projects	1,463,100	860,800	860,797
Operating Lump Sum Appropriation	625,000	646,800	646,378
Arizona Commission of Indian Affairs			
Administrative Adjustments	0	21,999	21,999
Operating Lump Sum Appropriation	223,300	211,000	208,063
Occupation Safety & Health Board			
Lump Sum Appropriation FY00 - 01	1,000	1,000	0
Lump Sum Appropriation FY02 - 03	4,800	4,800	0
Lump Sum Appropriation FY03 - 04	4,800	4,800	0
Lump Sum Appropriation FY99 - 00	1,000	1,000	0
Operating Lump Sum Appropriation FY04 - 05	4,800	4,800	0
Operating Lump Sum Appropriation FY98 - 99	2,796	2,796	0
Department of Insurance			
Cash Transfer To General Fund	0	38,100	38,100
Cash Transfers Between Agency Funds	0	123,315	123,315
Managed Care and Dental Plan Oversight	601,700	463,451	463,451
Operating Lump Sum Appropriation	6,764,100	5,953,349	5,940,013
Arizona Criminal Justice Commission			
Administrative Adjustments	0	130,724	130,724
Criminal Justice Information Systems	800,000	0	0
Methamphetamine Interdiction	2,000,000	0	0
Operating Lump Sum Appropriation	994,200	747,000	747,000
Rural State Aid To County Attorneys	157,700	157,700	157,700
Rural State Aid To Indigent Defense	150,100	150,100	150,100
Joint Legislative Budget Committee			
Operating Lump Sum Appropriation	2,948,600	2,106,757	874,531
Operating Lump Sum Appropriation FY07-08	2,210,637	1,532,581	1,532,581
Department of Library, Archives, and Public Records			
Cash Transfer To General Fund	0	312,700	312,700
Grants-In-Aid	651,400	630,100	523,403
Grants-In-Aid FY05 - 06	28,708	28,708	28,708
Grants-In-Aid FY06 - 07	78,018	78,018	78,018
Grants-In-Aid FY07 - 08	80,976	80,976	13,158
Historical Advisory Commission	46,683	46,683	5,405
Operating Lump Sum Appropriation	6,787,900	5,593,600	5,593,599
Operating Lump Sum Appropriation	662,500	675,900	626,842
Operating Lump Sum Appropriation FY 01 - 02	2,924	2,924	0
Operating Lump Sum Appropriation FY 03 - 04	4	4	0
Operating Lump Sum Appropriation FY 05 - 06	15	15	0
Operating Lump Sum Appropriation FY 06 - 07	10	10	0
Operating Lump Sum Appropriation FY 07 - 08	79,605	79,605	2,757
Operating Lump Sum Appropriation FY 07 - 08	6,783	6,783	6,783
Statewide Radio Reading Service for the Blind	97,000	97,000	97,000

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Legislative Council			
Arizona Centennial Celebration	2,450,000	2,450,000	0
Juvenile Study	19,520	0	0
Ombudsman-Citizens Aid Office	593,000	573,700	512,160
Ombudsman-Citizens Aid Office FY 93 - 94	43,000	0	0
Ombudsman-Citizens Aid Office FY 94 - 95	95,169	1	0
Ombudsman-Citizens Aid Office FY 07 - 08	127,902	63,951	41,830
Operating Lump Sum Appropriation	4,983,100	4,151,000	4,130,794
Operating Lump Sum Appropriation FY 06-07	661,735	661,735	436,162
Operating Lump Sum Appropriation FY 07-08	101,513	101,513	98,567
Operating Lump Sum Appropriation FY 99-00	886,420	140,359	0
State Archives And History Building FY 05 - 06	545	545	545
State Archives And History Building FY 06 - 07	2,435,141	2,435,141	1,918,178
State Archives And History Building FY 07 - 08	6,000,000	6,000,000	5,162,231
Land Department			
Cap User Fees	1,488,300	311,200	311,127
Due Diligence Fund	500,000	500,000	0
Earth Fissure Maps	182	182	182
Environmental County Grants	250,000	0	0
Fire Suppression Operating Expenses	2,566,600	2,489,900	2,489,900
Inmate Fire Crews	974,300	965,200	965,200
Natural Resource Conservation Districts	430,000	94,600	94,600
Operating Lump Sum Appropriation	17,208,600	13,050,100	13,043,244
Service Fees Increase Fund	0	600,000	600,000
Department of Liquor Licenses and Control			
Improvement of Data Processing System	975,171	975,171	824,405
Operating Lump Sum Appropriation	3,534,100	3,031,800	3,029,786
Law Enforcement Merit System			
Operating Lump Sum Appropriation	74,200	76,900	76,776
Department of Emergency Management & Military Affairs			
2007 Monsoons	0	50,015	37,240
2007 Monsoons FY07 - 08	131,786	131,786	131,786
Administrative Adjustments	0	6,833	6,833
Armory Restroom Renovation-Flag/Nogales	0	145,000	70,160
Aspen Fire Emergency	661,543	661,543	(199,257)
Arizona/Mexico International Border Security	128,666	121,425	121,425
Emergency Management 2-1-1 Services	104,200	31,152	31,152
Euz701 Search	0	310,000	285,786
Euz701 Search and Rescue	428	428	428
Euz701 Search FY07 - 08	9,015	9,015	9,015
February 2005 Winter Storms	675,303	675,303	145,273
February 2005 Winter Storms and Flooding	87,090	87,090	86,400
Glassy-Winged Sharpshooter Emergency FY05 - 06	1,567	1,567	1,567
Glassy-Winged Sharpshooter Emergency FY06 - 07	249,624	73,881	73,881
Guardsmen Tuition Reimbursement	1,446,000	750,000	739,453
Hazard Materials Contingency FY03 - 04	3,820	3,820	(24)
Hazard Materials Contingency FY07 - 08	50,000	50,000	265
January 2008 Severe Precipitation	0	122,500	0
January 2008 Severe Precipitation FY07 - 08	172,635	172,635	27,530
La Paz County Summer Monsoon Emergency	55,244	176	176
La Paz/Maricopa Counties Storm Emergency FY01 - 02	58,871	58,871	1,628
La Paz/Maricopa Counties Storm Emergency FY03 - 04	105,264	105,264	96,024
Military Gift Package Postage	100,000	50,000	50,000
Mitigation Projects 2004 Emergency Funds	81,655	81,655	4,264
Navajo, Gila and Coconino Cts Rodeo Fire	319,102	319,102	(8,179)
Nogales and 52nd Street Bldg Renewal FY01 - 02	12,032	12,032	0

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Nogales Wash Flooding 2007	70,259	1,463	1,463
Nogales Wash Flooding 2008	0	203,681	203,681
Northern Arizona Winter Storm Emergency	0	206,968	59,106
Northern Arizona Winter Storm Emergency FY04 - 05	1,940	1,940	0
Northern Arizona Winter Storm Emergency FY05 - 06	170	170	170
Northern Arizona Winter Storm Emergency FY06 - 07	81,202	81,202	81,176
Northern Arizona Winter Storm Emergency FY07 - 08	166,445	166,445	157,198
Nuclear Emergency Management Fund	0	403,477	403,477
Nuclear Emergency Management Fund Buckeye	0	69,909	69,909
Nuclear Emergency Management Fund Maricopa	0	354,558	354,558
Off Site Nuclear Emergency 89-90	1,708	1,708	0
Operating Lump Sum - Administration	1,848,900	1,636,691	1,631,125
Operating Lump Sum - Military Affairs	1,910,332	1,625,332	1,620,071
Operating Lump Sum-Emergency Management	0	826,068	826,068
Operation Good Neighbor	154,595	154,595	2,079
Project Challenge Construction FY05 - 06	183,494	183,494	183,494
Project Challenge Construction FY06 - 07	500,000	500,000	500,000
Project Challenge Construction FY07 - 08	100,000	100,000	100,000
Project Challenge Program	1,704,800	1,804,800	1,804,793
Replace Cooling Tower at Roosevelt FY05 - 06	50,000	50,000	0
Service Contracts	0	1,215,000	1,215,000
Summer 2006 Monsoons and Flooding FY06 - 07	563,058	563,058	386,508
Summer 2006 Monsoons and Flooding FY07 - 08	732,628	732,628	3,258
Uniform and Equipment Allowances	250,000	134,957	134,957
Mine Inspector			
Abandoned Mine Safety Deposit from GF	182,000	182,000	173,056
Administrative Adjustments	0	7,173	7,173
Operating Lump Sum Appropriation	1,382,800	1,285,500	1,161,281
Department of Building and Fire Safety			
Operating Lump Sum Appropriation	3,764,000	3,128,300	3,112,783
Mines and Mineral Resources			
Administrative Adjustments	0	38,502	38,502
Operating Lump Sum Appropriation	839,900	883,000	881,947
Medical Student Loans Board			
Medical Student Financial Assistance	1,500,000	1,121,000	1,001,000
Medical Student Financial Assistance	0	309,800	0
Medical Student Financial Assistance	154,539	154,539	0
Medical Student Financial Assistance	833,887	833,887	456,183
Medical Student Loans	3,944	3,944	0
Northern Arizona University			
NAU - Yuma	2,489,500	2,074,582	2,074,582
Operating Lump Sum Appropriation	158,979,100	116,374,192	116,374,192
Research Infrastructure Lease-Purch Pymt	0	4,916,666	4,916,666
Teacher Training	2,000,000	1,666,400	1,666,400
Navigable Streams Adjuication Commission			
Administrative Adjustments	0	1,041	1,041
Operating Lump Sum Appropriation	180,000	160,100	124,501
Operational Supplemental	157,513	157,513	157,513
Personnel Board			
Administrative Adjustments	0	67	67
Operating Lump Sum Appropriation	357,900	329,100	328,027
State Capitol Post-Conviction Public Defender			
Administrative Adjustments	0	759	759
Operating Lump Sum Appropriation	721,700	759,000	753,330
Commission for Postsecondary Education			
Case Managers	100,000	0	0

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
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GENERAL FUND
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Leveraging Educational Assistance Prtshp	1,220,800	1,220,800	1,220,800
Postsecondary Education Grant Program	5,300,000	2,750,000	2,749,998
Priv Postsecondary Ed Stu Fin Asst Prog	800,000	398,900	331,600
Prescott Historical Society			
Maintenance and Workshop Facility FY06 - 07	398,231	29,964	29,964
Operating Lump Sum Appropriation	734,000	663,100	625,494
Arizona Pioneers' Home			
All Other Operating Expenditures	828,000	0	0
PS/Employee Related Expenses (ERE)	74,000	0	0
PS/Employee Related Expenses (PS)	334,000	0	0
Board of Executive Clemency			
Operating Lump Sum Appropriation	1,087,400	1,047,600	1,046,904
State Parks Board			
Acquisition and Development	107,100	107,100	0
Administrative Adjustments	0	18,200	18,200
Administrative Adjustments	0	16,263	16,263
Arizona Trail	125,000	125,000	125,000
Cash Transfer to General Fund	0	5,391,800	5,391,800
Kartchner Caverns State Park	2,535,800	2,638,000	2,121,945
Land Conservation Fund-General Fund	0	20,000,000	20,000,000
Operating Lump Sum Appropriation	4,332,500	6,869,720	6,837,108
Operating Lump Sum Appropriation	8,275,000	3,485,200	3,484,375
Tonto Lodge Roof Replacement FY04 - 05	99,498	99,498	0
Department of Public Safety			
Building Renewal - Proj 917051 FY06 - 07	4,569	4,569	0
Building Renewal - Proj 915013 FY04 - 05	2	2	0
Building Renewal - Proj 915014 FY04 - 05	5,802	5,802	5,802
Building Renewal - Proj 915015 FY04 - 05	3,318	3,318	2,934
Building Renewal - Proj 916003 FY05 - 06	217	217	0
Cash Transfer To General Fund	0	50,000	50,000
DPS Carpet Replacement Project-Bldg Renewal	35,389	35,389	35,336
DPS Headquarters Fire Alarm	82,234	82,234	63,731
GITEM	19,799,700	18,902,000	17,398,547
GITEM-County Attorneys For Prosecution	1,000,000	700,000	364,974
GITEM-Gang Intelligence Team Enforcement	0	4,051,900	58,787
GITEM-Gang Intelligence Team Enforcement FY07 - 08	9,711,104	4,483,704	4,468,538
GITEM-State Gang Intelligence Dbase	1,000,000	600,000	385,489
Microwave Communication System	0	1,250,000	50,000
Microwave Communication System FY06 - 07	685,771	685,771	(166,244)
Microwave Communication System FY07 - 08	362,157	362,157	(116,843)
Motor Vehicle Fuel	3,704,200	3,704,200	3,217,711
Operating Lump Sum Appropriation	41,050,500	41,050,500	41,050,500
Operating Lump Sum Appropriation	1,564,100	1,615,600	1,615,600
Operating Lump Sum Appropriation	205,000	205,000	76,616
Operating Lump Sum Appropriation	84,949,500	84,949,500	84,949,500
Operating Lump Sum Appropriation	22,343,500	31,402,600	31,402,600
Operating Lump Sum Appropriation	296,200	296,200	292,820
Patrol Officers - SB1243 Year 2	41,570	41,570	0
Statewide HVACs Replacements	3,791	8,412	8,412
Statewide Interoperability - Phase II	358,501	358,501	0
Sworn Officer Salary Adjustments	1,274,100	1,274,100	1,274,100
Department of Racing			
Administrative Adjustments	0	132	132
Operating Lump Sum Appropriation	2,747,900	2,280,200	2,278,863
Independent Redistricting Commission			
Operating Lump Sum FY03 - 04	931,391	930,491	256,354

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
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	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Real Estate Department			
Administrative Adjustments	0	6,924	6,924
Operating Lump Sum Appropriation	4,438,500	3,686,700	3,685,317
Rangers' Pension			
Operating Lump Sum Appropriation	13,700	13,700	13,700
Department of Revenue			
Administrative Adjustments	0	53,371	53,371
Administrative Adjustments	0	132	132
BRITS Operations	2,223,700	2,223,700	2,223,313
Cash Transfer To General Fund	0	1,352,600	1,352,600
Cash Transfer To General Fund	0	986,500	986,500
Data Center Charges	0	1,570,000	394,858
Legal Arizona Workers Act - Employer Notice	102	102	0
Operating Lump Sum Appropriation	69,595,500	62,179,500	62,056,187
Operating Lump Sum Appropriation	413,800	422,000	407,646
Tax Credit Administration	0	30,000	30,000
Unclaimed Property Administration	1,608,600	1,634,000	1,401,331
Unclaimed Property Contract Auditor Fees	1,770,000	1,770,000	698,583
Schools for the Deaf and Blind			
Administrative Adjustments	0	1,535,873	1,535,873
Operating Lump Sum - Phoenix	5,160,200	3,671,200	3,231,001
Operating Lump Sum - Preschool/Outreach	3,024,800	2,009,935	1,747,362
Operating Lump Sum - Tucson	10,338,200	10,383,000	9,727,272
Operating Lump Sum-Regional Cooperatives	1,420,100	5,209,565	5,110,155
School Bus Replacement-Phoenix	461,300	0	0
School Bus Replacement-Tucson	276,700	0	0
School Facilities Board			
Building Renewal Grant	20,000,000	20,000,000	20,000,000
Full Day Kindergarten Capital Grants	484,205	484,205	484,205
New School Facilities	0	117,000,000	0
New School Facilities Debt Service	79,268,400	79,151,400	79,151,400
Operating Lump Sum Appropriation	1,944,400	1,614,100	1,611,823
Senate			
Operating Lump Sum Appropriation	9,193,000	8,635,000	7,724,033
Operating Lump Sum Appropriation FY07 - 08	1,651,552	1,651,552	937,520
Supreme Court			
Administrative Adjustments	0	12,516	12,516
Administrative Adjustments	0	9,012	9,012
ADOA Building Renewal Fund	0	140,000	16,459
Adult Intensive Probation	11,338,000	11,086,470	11,025,839
Adult Standard Probation	15,060,600	14,477,530	14,402,069
Automation	7,855,300	7,776,700	7,627,089
Automation	4,565,100	4,539,000	4,311,575
Case And Cash Management System	1,365,600	1,365,600	1,351,607
Case And Cash Management System	151,700	151,700	151,699
Cash Transfer To General Fund	0	1,230,700	1,230,700
Cash Transfer To General Fund	0	222,600	222,600
Commission on Judicial Conduct	436,800	416,600	394,368
Community Punishment	541,300	0	0
County Reimbursements	208,800	187,900	187,900
Court Appointed Special Advocate	102,000	102,000	102,000
Courts Building Design Chiller & Thermal Storage	52,725	52,725	34,535
Domestic Relations	586,400	510,500	507,429
Drug Court FY06 - 07	96,877	96,877	35,555
Drug Court FY08 - 09	1,013,600	1,013,600	996,279
Foster Care Review Board	2,429,800	2,405,000	2,373,773

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Fourth Floor Chiller FY01 - 02	2,528	2,528	0
Global Position and Monitoring System GPS	436,800	435,500	405,054
HVAC Storage Tank FY01 - 02	1,211	1,211	0
Interstate Compact	656,100	650,500	635,501
Judges Compensation	18,136,100	17,556,900	17,556,763
Judicial Nomination and Performance Review	323,200	295,300	283,504
Juvenile Family Counseling	660,400	660,400	640,018
Juvenile Intensive Probation	9,886,100	9,038,954	8,985,984
Juvenile Standard Probation	4,726,000	5,045,446	5,037,165
Juvenile Treatment Services	22,504,700	22,402,600	22,304,084
Model Court	497,300	447,600	442,569
Operating Lump Sum Appropriation	2,861,100	2,861,500	2,841,793
Operating Lump Sum Appropriation	702,500	702,900	578,270
Operating Lump Sum Appropriation	12,802,100	11,921,300	11,893,050
Probation Surcharge	3,425,700	3,596,900	2,667,509
Progressively Increasing Consequences	10,160,300	9,367,000	9,367,000
Repair/Rehab Cooling Tower, Courts Bldg FY04 - 05	114	114	0
Special Water Master	20,000	20,000	8,831
State Aid	40,200	0	0
Secretary of State			
Administrative Adjustments	0	15,781	15,781
Election Services	4,361,000	4,361,000	4,052,729
Help America Vote Act - Federal Funds	4,000,000	4,002,000	306,010
Help America Vote Act - Federal Funds FY07 - 08	12,353,562	12,353,562	11,467,909
Operating Lump Sum Appropriation	94,800	98,200	0
Operating Lump Sum Appropriation	2,619,000	2,469,700	2,360,629
Office of Tourism			
Cash Transfer To General Fund	700	700	700
City Of Yuma - Arizona Welcome Center	0	400,000	191,811
City Of Yuma - Arizona Welcome Center FY06 - 07	119,692	119,692	119,692
State Treasurer			
Administrative Adjustments	0	140,086	140,086
Community College Reimbursement ARS 15-1469.01	3,645,224	3,645,224	3,645,224
Corporate Income Tax Transfer	15,000,000	13,000,000	13,000,000
Justice Of the Peace Salaries	2,230,100	2,170,100	2,015,074
Operating Lump Sum Appropriation	2,841,400	2,551,500	2,537,690
Operating Lump Sum Appropriation	1,300	1,300	0
Rural County Reimbursement Subsidy	1,000,000	1,000,000	1,000,000
Transfer to Tourism Fund	15,996,413	15,996,413	15,996,413
Tax Appeals Board			
Administrative Adjustments	0	206	206
Operating Lump Sum Appropriation	305,200	284,200	262,813
University of Arizona			
Agriculture	34,521,600	26,900,150	26,900,150
Arizona Cooperative Extension	12,811,900	10,061,016	10,061,016
Clinical Rural Rotation	515,200	336,700	336,700
Clinical Teaching Support	9,969,700	7,674,650	7,674,650
Liver Research Institute	544,800	424,483	424,483
Operating Lump Sum-Health Sciences Center	55,176,900	43,616,233	43,616,233
Operating Lump Sum-Main Campus	292,796,800	206,168,026	206,168,026
Phoenix Medical Campus	12,401,300	9,628,766	9,628,766
Research Infrastructure Facilities	0	14,253,000	14,253,000
Sierra Vista Campus	3,873,700	2,940,633	2,940,633
Telemedicine Network	2,237,900	1,729,283	1,729,283
Department of Veterans' Services			
Arizona State Veterans' Home	2,855,000	2,608,800	2,314,361

The Notes to Required Supplementary Information are an integral part of this schedule.

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STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Arizona State Veterans' Home	10,000,000	0	0
Military Family Relief Fund	15,291	15,291	0
Operating Lump Sum Appropriation	2,007,300	2,097,000	2,096,459
Southern Arizona Cemetery	272,100	279,100	279,100
Telemedicine Project	10,000	10,000	0
Veterans Benefits Counselors	3,047,000	2,947,400	2,941,042
Veterans' Organizations Contracts	29,200	29,200	12,600
Department of Water Resources			
Adjudication Support	2,105,000	1,106,100	1,101,647
Administrative Adjustments	0	3,146	3,146
Arizona Water Protection Fund Deposit	2,000,000	0	0
Assured and Adequate Water Supply Admin	1,700,000	1,300,300	769,247
Automated Groundwater Monitoring	500,000	506,300	505,166
Conservation and Drought Program	491,200	491,500	465,761
Dam Repair - City Of Williams FY06 - 07	1,565	1,565	0
Operating Lump Sum Appropriation	15,372,400	6,721,000	6,700,386
Rural Water Studies	1,999,100	1,507,100	743,272
Rural Water Studies FY07 - 08	666,014	666,014	666,014
Department of Weights and Measures			
Administrative Adjustments	0	1,231	1,231
Operating Lump Sum Appropriation	1,640,200	1,387,900	1,379,270
Total General Fund Budgetary Expenditures before Adjustments	16,835,599,709	16,780,593,743	15,157,661,925
Less:			
Department of Health Services' AHCCCS - appropriations for Children's Rehabilitative Services, Arnold v. Sarn, Assurance and Licensure, Title XIX State Match, Medicaid Special Exemption, and Contract Compliance that were duplicate expenditure authorizations	(751,285,899)	(871,154,499)	0
Total General Fund Budgetary Expenditures after Adjustments	\$ 16,084,313,810	\$ 15,909,439,244	\$ 15,157,661,925

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
TRANSPORTATION AND AVIATION PLANNING, HIGHWAY MAINTENANCE AND SAFETY FUND			
Department of Administration			
Administrative Adjustments	\$ 0	\$ 5,000	\$ 5,000
Department of Transportation			
2003 - Asbestos & Lead Inspections	589,466	589,466	0
2003 - East Valley Maintenance Yard	135,517	135,517	133,582
91 Douglas Maintenance Yard Adm Adj	2,000	2,000	0
98 - Arizona-Mexico Border Points	569	569	0
Abandoned Vehicle Administration	1,039,800	1,039,800	925,400
Administrative Adjustments	0	253	253
Administrative Adjustments	0	156,669	156,669
Airport Planning And Development	31,200,000	31,200,000	15,132,665
Airport Planning And Development	8,665,445	8,665,445	0
Alt Truck Route - Douglas Chino Rd	250,000	250,000	0
Asbestos & Lead Inspections	97,998	97,998	3,200
Asphalt Storage Tanks	184,771	184,771	71,955
Attorney General Legal Services	3,052,600	3,052,600	2,740,928
Building Renewal FY 06 - 07	12,264	12,264	0
Building Renewal FY 06 - 07	612,529	612,529	460,486
Building Renewal FY 07 - 08	83,394	83,394	27,443
Building Renewal FY 07 - 08	1,571,150	1,571,150	1,172,002
Building Renewal FY 08 - 09	156,900	156,900	85,677
Building Renewal FY 08 - 09	4,052,000	1,077,800	464,920
Cash Transfer To General Fund	0	22,479,400	22,479,400
Cash Transfer To General Fund	0	104,000,000	104,000,000
Cash Transfer To General Fund	0	14,400	14,400
Cash Transfer To General Fund	0	2,269,400	2,269,400
Cash Transfer To General Fund	0	2,194,300	2,194,300
Cash Transfer To General Fund	0	4,158,400	4,158,400
Cash Transfer To General Fund	0	8,390,600	8,390,600
De-Icer Buildings	125,717	125,717	114,283
De-Icer Buildings	1,799,129	(50,871)	(50,871)
De-Icer Buildings	1,825,000	0	0
Far Southeast Valley Multiuse Facility	5,184,495	0	0
Far Southeast Valley Multiuse Facility	2,350,000	0	0
Far Southeast Valley Multiuse Facility	1,510,256	0	0
Fraud Investigation	788,300	788,300	647,812
Grand Canyon Airport Modular Housing	2,460,217	2,460,217	2,413,553
Grand Canyon Airport Restroom Renovation	208,944	208,944	52,167
Grand Canyon Airport Water Storage Tank Renov	606,467	0	0
Highway Maintenance	131,468,300	131,486,600	109,809,348
Highway Maintenance	558,700	558,700	553,947
Highway Maintenance FY 07 - 08	3,204,965	3,204,965	3,202,422
Highway Maintenance FY 07 - 08	64	64	0
Highway to DPS Transfer	0	826,000	826,000
Highway to DPS Transfer - Double Load	41,050,500	41,050,500	41,050,500
HURF to DPS Transfer - Double Load	84,949,500	84,949,500	84,949,500
Highway Infrastructure - Douglas Weigh Station	178,000	178,000	0
Lump Sum Appropriation-Aeronautics	2,353,900	2,337,000	2,269,446
Lump Sum Appropriation-Highways	137,855,000	137,887,300	111,262,264
Lump Sum Appropriation-Motor Vehicle	101,888,900	101,911,100	92,883,666

The Notes to Required Supplementary Information are an integral part of this schedule.

(Continued)

STATE OF ARIZONA
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BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
TRANSPORTATION AND AVIATION PLANNING,
HIGHWAY MAINTENANCE AND SAFETY FUND
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(Expressed in Dollars)

	ORIGINAL BUDGET (Appropriations)	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Lump Sum Appropriation-Motor Vehicle	1,613,700	1,599,300	1,564,967
Lump Sum Appropriation-Motor Vehicle	71,700	71,700	71,700
Lump Sum Appropriation-Motor Vehicle	1,641,500	1,604,300	1,429,925
Lump Sum Appropriation-Motor Vehicle	2,259,700	2,222,300	1,927,272
Lump Sum Appropriation-Motor Vehicle	143,300	143,300	143,300
Lump Sum Appropriation-Motor Vehicle	384,800	384,800	384,800
Modular Trailer Operating Expenses	7,519	7,519	0
Motor Carrier Towing Regulation	11,108	11,108	0
MVD Computer System Assessment	159	159	0
MVD Electronic Certificate Of Title System	4,852	4,852	0
MVD Electronic Certificate Of Title System	13,488	13,488	0
MVD One-Time Trailer Fees Implementation	43,724	43,724	0
MVD Security Enhancement Issues	783,110	783,110	45,437
MVD Security Enhancement Issues	1	1	0
New Third Party Funding	452,700	452,700	406,904
New Third Party Funding	78,200	78,200	75,883
New Third Party Funding	197,200	197,200	195,513
New Third Party Funding	232,200	232,200	232,200
Nogales Cyber Port Study	300,000	300,000	0
Nogales Port Of Entry	2	2	0
Oil And Asphalt Storage Tanks	1,331,905	(33,095)	(33,095)
Oil And Asphalt Storage Tanks	1,389,000	0	0
On-Line Verification Of Soc Sec Numbers	797	797	0
Operating Lump Sum Appropriation	42,409,600	42,417,400	40,645,602
Payson Motor Veh Division Service Center	1,229,400	0	0
Relief Bill Cash Transfer FY 09	0	1,344	1,344
Safety, Security, Traffic Mgmt & Control	18,000	18,000	0
Safford Vehicle Maintenance Shop	3,214,997	0	0
San Luis Inspection Station	2,000,000	0	0
San Luis Poe Connector Rd	200,000	200,000	0
Self To DPS Transfer - Double Load	1,564,100	1,615,600	1,615,600
Site Improve - Nogales Insp Station	54,000	54,000	0
Special Projects	30,868	30,868	0
Sprinklers/Fire Alarms	0	979,468	800,256
Statewide Highway Construction	305,582,000	305,582,000	235,285,236
Statewide Highway Construction	53,555,170	53,555,170	0
Surprise Motor Vehicle Division Service Center	3,956,124	82	82
Surprise Motor Vehicle Division Service Center	910,148	910,148	16,740
Traffic Safety Improvement Agreements	0	600,000	600,000
Vehicle and Heavy Equipment Fuel Surcharge	1,000,000	1,000,000	1,000,000
Vehicle Wash Systems	1,951,112	0	0
Vehicle Wash Systems	2,075,000	0	0
Total Transportation and Aviation Planning, Highway Maintenance and Safety Fund Budgetary Expenditures	\$ 1,002,783,941	\$ 1,115,404,406	\$ 901,280,383

The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2009

A. RECONCILIATION OF BUDGETARY TO GAAP EXPENDITURES

The accompanying Budgetary Comparison Schedules for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund present comparisons of the legally adopted budget with actual expenditure data on the budgetary basis. The original budget represents any appropriation bills passed by June 30, 2008 that affect available appropriations during fiscal year 2009. The final budget represents any appropriation bills passed during fiscal year 2009 for fiscal year 2009 plus the original budget. Appropriation bills passed after the end of fiscal year 2009 for fiscal year 2009 would also be included in the final budget.

The Budgetary Comparison Schedules present actual amounts on the State’s budgetary basis for expenditures only. The Schedules include appropriations authorized in one fund and transferred, by legislation, to another fund. The State does not have a legally adopted budget for revenues; therefore, only expenditures are presented on the Budgetary Comparison Schedule, Expenditures for the General Fund and the Transportation and Aviation Planning, Highway Maintenance and Safety Fund. As the budgetary and GAAP presentations of actual data differ, a reconciliation of the two follows (amounts expressed in thousands):

	<u>General Fund</u>	<u>Transportation & Aviation Planning, Highway Maintenance & Safety Fund</u>
Uses/outflows of resources		
Actual expenditure amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule	\$ 15,157,662	\$ 901,280
Differences – budget to GAAP:		
Increase in unpaid incurred expenditures from fiscal year end 2008 to fiscal year end 2009.	372,040	390,827
Increase in unpaid payroll expenditures from fiscal year end 2008 to fiscal year end 2009. For budgetary reporting, final June 2009 payroll expenditures were charged to fiscal year 2010 budget.	7,415	-
Distributions to counties and cities of sales taxes are recognized as expenditures on the modified accrual basis, but have no effect on budgetary expenditures.	936,140	-
Distribution to counties and cities for Urban Revenue Sharing, derived from the State’s income tax collections, is recognized as an expenditure on the modified accrual basis, but has no effect on budgetary expenditures.	727,677	-
Capital leases and installment purchase contracts initiated during the fiscal year, which are not reported in budgetary expenditures.	3,134	-
Programs which are not controlled by legislative appropriations but have disbursed cash or incurred obligations during fiscal year 2009.	5,057,905	1,603,657
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1,126,584)</u>	<u>(605,768)</u>
Total expenditures, as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 21,135,389</u>	<u>\$ 2,289,996</u>

There were no expenditures in excess of appropriations or allotments in the individual budget accounts for the year.

STATE OF ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
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JUNE 30, 2009

B. BUDGETARY BASIS OF ACCOUNTING

Formulation of the budget begins with the preparation of estimates of expenditure requirements by the head of each budgeted agency and institution. These estimates are submitted no later than September 1 of each year to the Governor's Office of Strategic Planning and Budgeting, unless an extension is granted for up to an additional 30 days. The budget is prepared by line item and/or program elements for each agency.

The budget document, as finally developed by the Governor, must be submitted to the Legislature no later than five days after the regular session convenes. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill and various omnibus reconciliation bills, which are used for statutory adjustments that must be implemented to carry out the budget. The Governor may veto any item in an appropriation bill. Such vetoes are subject to legislative overrides. The budget can be amended throughout the year by special legislative appropriations and/or budget transfers. The State's Constitution prohibits the appropriation of certain state revenues (primarily tax and fee collections) from exceeding 7.41% of Arizona personal income as estimated by the Economic Estimates Commission.

The State prepares its operating budget on the cash basis of accounting. Encumbrances as of June 30 can be liquidated during an administrative period of up to four weeks known as the 13th month. At the time of the appropriation bill's passage, estimates prepared by legislative and executive branch professional staff assure the State Legislature that adequate revenues will be available to meet the level of appropriations approved. Anticipated revenue is estimated on the cash basis but is not part of the legally adopted budget. Consequently, the accompanying Budgetary Comparison Schedules only present budget to actual expenditure comparisons.

The Budgetary Comparison Schedules present all appropriation line items as passed by the State Legislature in order to demonstrate compliance with the legal level of budgetary control.

The State budgets on both an annual and biennial basis. Laws 1997, Chapter 210 required appropriated biennial budgets for all state agencies. In biennial budgets, an agency receives a separate appropriation for each of two fiscal years. For the "larger" seventeen state agencies, Laws 2002, Chapter 210 returned their budgets to a "one" year cycle beginning with the 2003 Legislative Session (fiscal year 2004 budget request).

The budget format used by the State Legislature determines how an agency's appropriation appears in the General Appropriation Act. A less detailed format provides an agency with more discretion in implementing the budget. Conversely, a more detailed format may require an agency to use formal processes for redirecting appropriated funding. Among the possible format choices are the following:

Lump Sum – The appropriation of an agency for each fiscal year consists of a single dollar amount, thereby allowing the agency to direct funds to its activities at its own discretion, without further Legislative or Executive Branch review. Within this format, any programs or Special Line Items may be listed separately.

Modified Lump Sum – The appropriation of an agency for each fiscal year consists of at least three lines: Personal Services, Employee Related Expenditures, and All Other Operating Expenditures. Any Special Line Items would be listed separately. Under this format, pursuant to ARS §35-173, an agency must seek approval of the Joint Legislative Budget Committee (JLBC) before moving any funding into or out of the Personal Services and Employee Related Expenditures line items. Any other funding transfers would require approval by the Arizona Department of Administration (ADOA), but not the JLBC. ADOA funding transfers require approval from the JLBC.

Detailed Line Item – The agency appropriation for each fiscal year consists of each line item listed in the Appropriations Report including Professional and Outside Services, Travel, Other Operating Expenditures, Equipment, Food, and any Special Line Items. The same rules govern Personal Services and Employee Related Expenditures funding transfers as noted in the Modified Lump Sum description. This appropriation format requires an agency to seek ADOA approval before initiating funding transfers between all other line items.

During the fiscal year, \$465.198 million in supplemental appropriations, net of mid-year reversions and adjustments, were provided to major and non-major governmental funds primarily for fund transfers to the General Fund to address the State's budget impact created by revenue shortfalls. The General Fund appropriations decreased by \$55.006 million and the

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JUNE 30, 2009

Transportation and Aviation Planning, Highway Maintenance and Safety Fund appropriations increased by \$112.620 million, and those amounts are included in the Budgetary Comparison Schedules.

State agencies are responsible for exercising budgetary control and ensuring that expenditures do not exceed appropriations. The ADOA's General Accounting Office exercises oversight and does not disburse funds in excess of appropriations.

The Governor shall have in continuous process of preparation and revision a tentative budget report for the next two ensuing years for which a budget report is required to be prepared.

Whenever the expenses of any fiscal year shall exceed the income, the Legislature *may* provide for levying a tax for the ensuing fiscal year sufficient, with other sources of income, to pay the deficiency, as well as the estimated expenses of the ensuing fiscal year.

All expenditures of the State's money must be authorized by law. Authorization can be granted directly by law or contingent upon appropriation from the State Legislature. Periodically, the State Legislature may appropriate monies for program expenditures already authorized by law, resulting in duplicate spending authority. In appropriating monies, the State Legislature has, in some cases, included external funding sources as a portion of an agency's total program expenditure authorization (budget) and has identified the external funding sources as an offset against the program appropriations total in order to reflect the State funding amount. An example of this is found in the \$283.381 million Department of Health Services Children's Behavioral Health State Match for Title XIX on **page 141**. Accordingly, sometimes program expenditures may not exhaust specific legislative appropriations. To properly present the total budget (appropriation) information, in relationship to "actual" expenditure amounts, duplicate expenditure authorizations have been eliminated from the General Fund's budget (appropriation) totals on **page 148**.

STATE OF ARIZONA
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INFRASTRUCTURE ASSETS
JUNE 30, 2009

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34), the State of Arizona reports its roads and bridges using the modified approach. Assets accounted for under the modified approach include 6,753 center lane miles (18,544 travel lane miles) of roads and 4,648 bridges that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up to date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State
- Document that the assets are being preserved approximately at or above the established condition level

As adopted by the State Transportation Board on an annual basis, the Five-Year Transportation Facilities Construction Program (Program) contains estimated expenditures for highway system improvements and the preservation of existing roadways and bridges. Both of these factors impact the condition assessment of the roads and bridges as described in the following sections. The Program in effect for fiscal year 2010 and beyond was adopted by the Transportation Board on June 19, 2009.

This Program is a dynamic instrument and adjustments are made to the annual plans based on the needs of the State to maintain the condition level of the roads and bridges at a level equal to, or greater than, the goals established by the State. In addition, not only are adjustments made during the life of the Program, circumstances may require that refinements to the individual components of the Program be made during the fiscal year.

In comparing Estimated to Actual Expenditures in the tables that follow, significant variances can occur. These variances are primarily due to the methodology used in the preparation of the Program. In this Program, the Estimated Expenditures for the current year are based on “programmed” projects which may or may not be spent in the current year of the Program. “Programmed” expenditures consist of those items that are planned for the future and contracts that have not yet been awarded. Furthermore, the Actual Expenditures will include projects that were “programmed” for a prior year’s Estimated Expenditures but which did not occur, or were not completed, in the prior year.

The following information pertains to the condition assessment and maintenance of infrastructure assets and reflects the State’s success in achieving condition levels that exceed the established levels.

Roads

The mission of the Arizona Department of Transportation’s (ADOT) Pavement Management Section (PMS) is to develop and provide a cost effective pavement rehabilitation construction program that preserves the State’s investment in its highway system and enhances public transportation and safety. The requirements of GASB 34 and the ADOT PMS both work toward the same basic goal, the efficient, effective management of the State’s assets to produce long-term benefits, while minimizing expenditures.

The PMS has developed performance goals for the condition level of the pavement in the State’s highway system. These goals require periodic assessment of pavement conditions and the budget level needed to meet that goal. The goal is expressed as a measure called “Serviceability”, which can be defined as the ability of a pavement to serve the traveling public (as documented in 1961 after the American Association of State Highway and Transportation Officials (AASHTO) Road Test, 1956-1961). Serviceability is based on detailed measurements of objective features of the pavement and many surveys since the original road test have shown that these measurements closely track the subjective opinion of the traveling public. Most commonly, this number is called

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the “Present Serviceability Rating” (PSR). PSR is a five-point scale (5 excellent, 0 impassable), similar to the Weaver/AASHTO Scale shown as follows:

Numerical Rating	PSR	Weaver/AASHTO Scale
5	Excellent	Perfect
4	Good	Very Good
3	Fair	Good
2	Poor	Fair
1	Very Poor	Poor
0	Impassable	Very Poor

The goal of the State is to maintain a condition level (PSR) rating of 3.23 or better for all roads in the State’s highway system. Annually, Transportation Material Technicians drive over the system with inertial profiling equipment and measure the roughness of the pavement. This process is continuous throughout the year in order to assess the condition level of all pavement on an annual basis. As of the end of fiscal year 2009, an overall rating of 3.74 was achieved, as shown in the following graph:

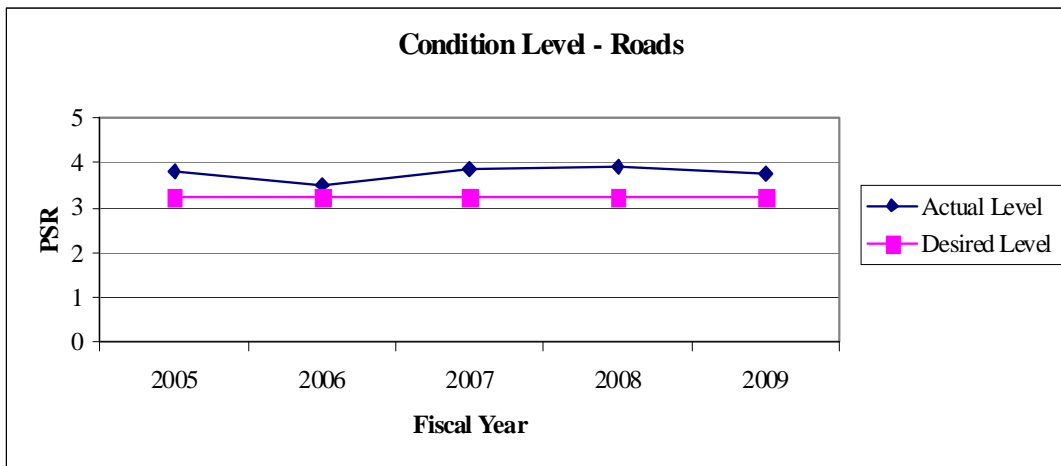


Figure 1

Preservation of the roads is accomplished through programs managed primarily by the ADOT PMS, as well as other units within the ADOT. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2005 through 2009 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2005	\$235.7	\$195.0
2006	\$218.5	\$211.5
2007	\$216.4	\$196.5
2008	\$260.7	\$247.9
2009	\$264.4	\$236.0

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 JUNE 30, 2009

Bridges

Bridges constitute a significant portion of all infrastructure assets in Arizona. As of June 30, 2009, the State owns and maintains 4,648 bridges with an approximate total deck area of 44,441,921 square feet. Bridges, for purposes of this report, include all structures erected over an opening or depression with a centerline of 20 feet or more. Information related to these bridges is stored and updated in the Arizona Bridge Information and Storage System (ABISS). This system is used to efficiently manage the bridge inventory through storing all bridge related data and assisting bridge engineers in arriving at appropriate bridge preservation decisions. Also, ABISS is used for reporting bridge inventory and condition, on a biennial basis, to the Federal Highway Administration (FHWA).

A Condition Rating Index (CRI) is used to track the condition of the bridge network. The CRI is based on four selected bridge inspection condition ratings, which in turn are based on standards established in the FHWA’s “Recording and Coding Guide for the Structural Inventory of the Nation’s Bridges.” The four selected condition ratings that are included in the CRI computation are: the bridge joints condition, the deck condition, the super-structure condition, and the sub-structure condition. The bridge joints condition rating is an Arizona specific rating item not included in the FHWA condition rating guidelines, whereas the three other condition ratings are federally mandated condition ratings. The CRI is computed by subtracting from one, the ratio of the sum of the deck areas of all bridges with a condition rating of four or less, which indicates that the rated element is at best in a poor condition, to the total sum of the deck areas. The rating system in this guide is as follows:

Numerical Rating	Condition Rating
9	Excellent
8	Very Good
7	Good
6	Satisfactory
5	Fair
4	Poor
3	Serious
2	Critical
1	Imminent Failure

Management of the bridge inventory is a major function of the ADOT’s Bridge Group and regularly scheduled biennial inspections are made of all bridges. A civil or structural engineer, licensed to practice in Arizona, performs these inspections. It is the policy of the State to maintain State highway bridges so that the CRI exceeds 92.5%. In fiscal year 2009, the CRI was computed at 93.4%.

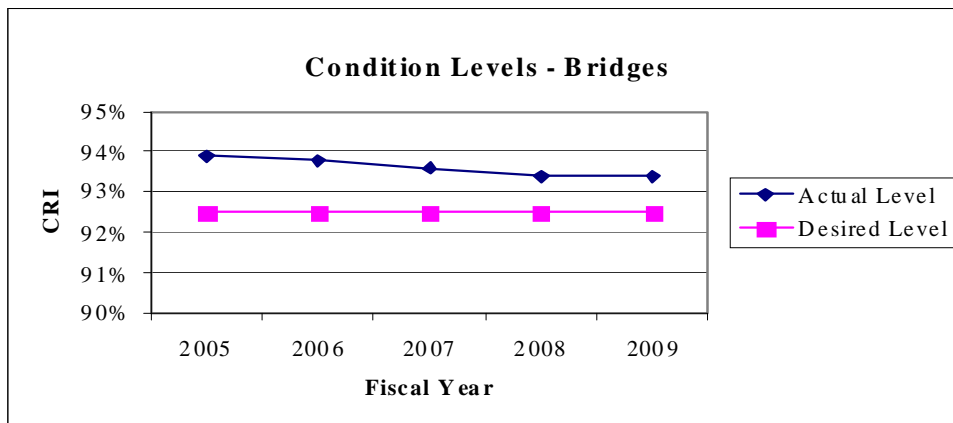


Figure 2

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
INFRASTRUCTURE ASSETS
 JUNE 30, 2009

Bridges represent a major public investment and their inspection and maintenance is an essential function of the State in its mission of providing products and services for a safe, efficient, and cost effective transportation system. Figure 3 indicates that approximately 59% of the bridges in the State were constructed prior to the 1970s while only 21% have been constructed in the last two decades.

Age of the ADOT's Bridge Population

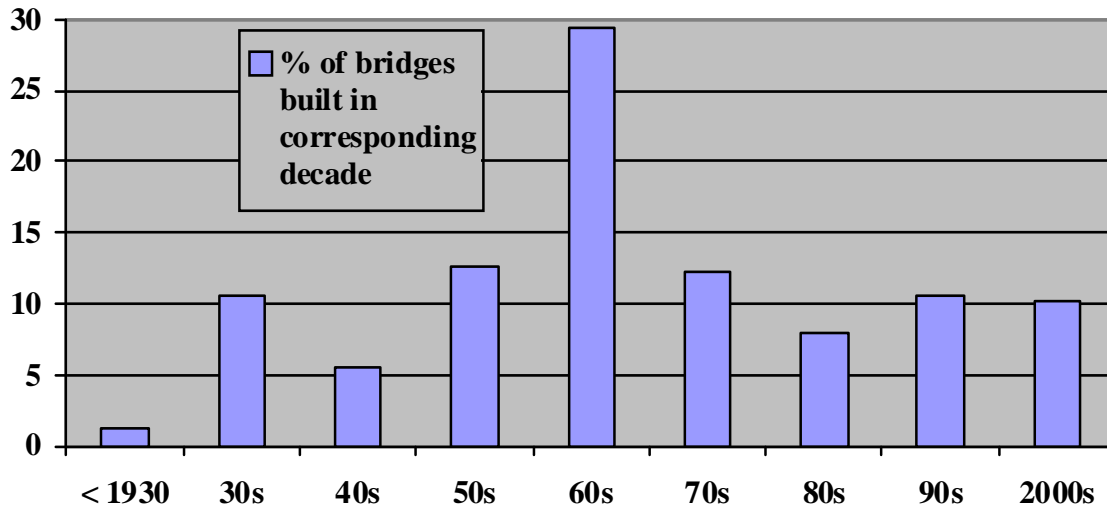


Figure 3

Preservation of the bridges is accomplished through programs managed by the Bridge Group. The estimated (as specified in the Program as programmed amounts) and actual expenditures for fiscal years 2005 through 2009 were as follows:

Fiscal Year	Estimated Expenditures (in millions)	Actual Expenditures (in millions)
2005	\$ 7.4	\$11.0
2006	\$10.6	\$11.3
2007	\$17.1	\$22.5
2008	\$13.4	\$18.1
2009	\$14.3	\$17.3

STATE OF ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
AGENT BENEFIT PLANS' FUNDING PROGRESS
 JUNE 30, 2009

Analysis of the funding progress for each of the agent, multiple-employer defined benefit pension plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2009	\$ 564,000	\$ 857,854	\$ (293,854)	65.7%	\$ 99,558	(295.2)%
	6/30/2008	547,255	824,620	(277,365)	66.4%	101,422	(273.5)%
	6/30/2007	537,999	799,950	(261,951)	67.3%	89,498	(292.7)%
CORP	6/30/2009	806,941	910,317	(103,376)	88.6%	373,674	(27.7)%
	6/30/2008	755,559	869,342	(113,783)	86.9%	376,819	(30.2)%
	6/30/2007	713,382	800,128	(86,746)	89.2%	369,337	(23.5)%

Analysis of the funding progress for each of the agent, multiple-employer defined benefit post-employment plans, as of the most recent actuarial valuations, is as follows (expressed in thousands):

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Unfunded) AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) AAL as a Percentage of Covered Payroll
PSPRS	6/30/2009	-	\$ 26,141	\$ (26,141)	0.0%	\$ 99,558	(26.3)%
	6/30/2008	-	30,584	(30,584)	0.0%	101,422	(30.2)%
	6/30/2007	-	31,344	(31,344)	0.0%	89,498	(35.0)%
CORP	6/30/2009	-	43,951	(43,951)	0.0%	373,674	(11.8)%
	6/30/2008	-	40,596	(40,596)	0.0%	376,819	(10.8)%
	6/30/2007	-	38,753	(38,753)	0.0%	369,337	(10.5)%

**COMBINING FINANCIAL
STATEMENTS AND
SCHEDULES**

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

The Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Funds

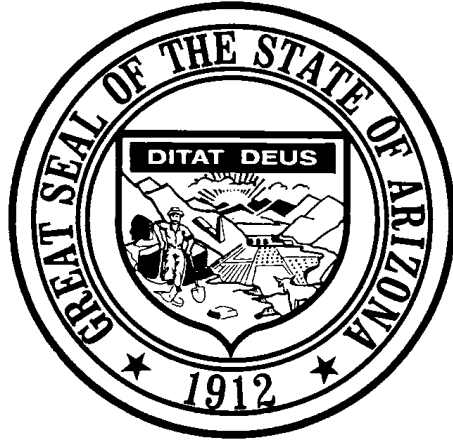
Capital Projects Funds account for financial resources used to acquire or construct major capital facilities (other than those financed by Proprietary Funds, Pension Trust Funds or Component Units).

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
ASSETS				
Cash	\$ 3,496	\$ -	\$ -	\$ 3,496
Cash and pooled investments with State Treasurer	635,817	21,111	-	656,928
Collateral Investment Pool	17,712	2,793	25,796	46,301
Receivables, net of allowances:				
Taxes	64,596	-	-	64,596
Interest	1,729	497	1,856	4,082
Other	24,543	-	-	24,543
Due from others	24	-	-	24
Due from other Funds	325,182	-	13	325,195
Inventories, at cost	95	-	-	95
Restricted assets:				
Cash and pooled investments with State Treasurer	1,053	2,684	877,783	881,520
Cash held by trustee	-	3,224	30,510	33,734
Other	12	-	-	12
Total Assets	\$ 1,074,259	\$ 30,309	\$ 935,958	\$ 2,040,526
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 38,074	\$ 401	\$ 19,987	\$ 58,462
Accrued liabilities	31,274	-	52	31,326
Obligations under securities loan agreements	17,712	2,793	25,796	46,301
Due to local governments	94,865	-	-	94,865
Due to others	97	-	-	97
Due to other Funds	14,048	-	8	14,056
Unavailable deferred revenue	954	-	-	954
Unearned deferred revenue	807	-	-	807
Total Liabilities	197,831	3,194	45,843	246,868
Fund Balances:				
Reserved for:				
Highway construction	-	-	781,986	781,986
Other construction	-	-	108,129	108,129
Continuing appropriations	38,066	-	-	38,066
Debt service	-	27,115	-	27,115
Unreserved	838,362	-	-	838,362
Total Fund Balances	876,428	27,115	890,115	1,793,658
Total Liabilities and Fund Balances	\$ 1,074,259	\$ 30,309	\$ 935,958	\$ 2,040,526

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Taxes:				
Sales	\$ 474,785	\$ 65,811	\$ -	\$ 540,596
Income	80	-	-	80
Tobacco	294,945	-	-	294,945
Other	117,469	-	-	117,469
Intergovernmental	47,900	-	-	47,900
Licenses, fees, and permits	211,367	-	-	211,367
Earnings on investments	25,373	4,372	18,942	48,687
Sales and charges for services	27,728	-	-	27,728
Fines, forfeitures, and penalties	162,767	-	-	162,767
Gaming	78,167	-	-	78,167
Other	74,681	-	-	74,681
Total Revenues	<u>1,515,262</u>	<u>70,183</u>	<u>18,942</u>	<u>1,604,387</u>
EXPENDITURES				
Current:				
General government	147,030	-	-	147,030
Health and welfare	263,604	-	-	263,604
Inspection and regulation	119,423	-	-	119,423
Education	620,778	-	-	620,778
Protection and safety	103,003	-	-	103,003
Transportation	-	-	44,119	44,119
Natural resources	132,524	-	-	132,524
Debt service:				
Principal	5,697	174,805	-	180,502
Interest and other fiscal charges	894	175,957	3,967	180,818
Capital outlay	32,572	-	593,507	626,079
Total Expenditures	<u>1,425,525</u>	<u>350,762</u>	<u>641,593</u>	<u>2,417,880</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>89,737</u>	<u>(280,579)</u>	<u>(622,651)</u>	<u>(813,493)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	154,598	275,406	-	430,004
Transfers out	(349,531)	(2,948)	(17,632)	(370,111)
Capital lease and installment purchase contracts	922	-	-	922
Bonds issued	-	-	621,050	621,050
Grant anticipation notes issued	-	-	55,420	55,420
Premium on debt issued	-	-	58,123	58,123
Total Other Financing Sources (Uses)	<u>(194,011)</u>	<u>272,458</u>	<u>716,961</u>	<u>795,408</u>
Net Change in Fund Balances	<u>(104,274)</u>	<u>(8,121)</u>	<u>94,310</u>	<u>(18,085)</u>
Fund Balances - Beginning	<u>980,702</u>	<u>35,236</u>	<u>795,805</u>	<u>1,811,743</u>
Fund Balances - Ending	<u>\$ 876,428</u>	<u>\$ 27,115</u>	<u>\$ 890,115</u>	<u>\$ 1,793,658</u>



NON-MAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

The Public Safety and Correctional Programs Fund accounts for law enforcement, military, custody, and related services provided to the general public.

The Environmental Protection Fund accounts for the protection of the State's public health by administering the State's environmental quality laws and delegating federal programs to prevent, control, and abate pollution of our air, water, and land resources.

The Healthcare and Social Services Fund accounts for health and welfare services provided to the general public.

The Tobacco Tax and Healthcare Fund accounts for the receipt of monies levied on tobacco products. The monies are used for health education programs; research, prevention and treatment of tobacco related diseases; to increase the quality of, and access to, the early childhood development and health system that ensures a child entering school comes healthy and ready to succeed; and for medically needy healthcare programs.

The Judicial and Legal Services Fund accounts for the anti-racketeering, consumer protection, consumer fraud, anti-trust, and collections enforcement programs of the Attorney General's Office and statewide court improvement functions supervised by the Arizona Supreme Court.

The Regulating and Licensing Fund accounts for inspection and regulatory services provided to the general public.

The Game and Fish Fund accounts for the receipt of monies collected by the Department of Game and Fish for various hunting and fishing licenses, for the purpose of conserving, enhancing, and restoring Arizona's diverse wildlife resources and habitats, as well as providing safe watercraft and off-highway vehicle recreation.

The State Parks Development Fund accounts for the receipt of monies collected by the State Parks Fund for the purpose of acquiring and developing State park lands, sites and facilities.

The Business Development Fund accounts for the promotion of statewide economic and community development, which supports a globally competitive Arizona.

The Educational Programs Fund accounts for supplemental building needs and instructional improvement programs specifically identified in a voter initiative that enacted a six-tenth of one percent statewide sales tax dedicated to education functions. The Educational Programs Fund supports programs from the kindergarten through university educational levels.

The Groundwater Protection and Conservation Fund accounts for strategic water resources planning, Colorado River water management, drought management planning, dam safety, flood mitigation, administration of the Arizona Groundwater Management Code, and administration of water rights. These programs are the responsibility of the Department of Water Resources.

The Clean Elections System Fund accounts for fines and fees collected to pay for campaign expenses of statewide candidates and State legislative candidates who choose not to accept private source campaign funds. The fund was established as a result of a voter initiative.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
ASSETS						
Cash	\$ 3,415	\$ 14	\$ -	\$ -	\$ -	\$ 21
Cash and pooled investments with State Treasurer	7,979	3,866	33,237	380,374	5,722	6,260
Collateral Investment Pool	-	-	-	4,014	-	-
Receivables, net of allowances:						
Taxes	5,060	-	1,069	15,682	-	-
Interest	105	134	14	927	67	52
Other	105	2	7,809	-	3	2,855
Due from others	24	-	-	-	-	-
Due from other Funds	75,516	40,592	1,751	104	53,512	56,393
Inventories, at cost	95	-	-	-	-	-
Restricted assets:						
Cash and pooled investments with State Treasurer	-	-	1,053	-	-	-
Other	-	-	11	-	-	-
Total Assets	\$ 92,299	\$ 44,608	\$ 44,944	\$ 401,101	\$ 59,304	\$ 65,581

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and other current

liabilities	\$ 12,417	\$ 2,687	\$ 1,906	\$ 10,388	\$ 3,933	\$ 1,890
Accrued liabilities	681	1,074	21,602	576	1,179	3,351
Obligations under securities loan agreements	-	-	-	4,014	-	-
Due to local governments	-	-	-	-	-	-
Due to others	22	-	-	-	-	72
Due to other Funds	550	25	1,893	9,739	27	1,443
Unavailable deferred revenue	-	-	954	-	-	-
Unearned deferred revenue	33	-	769	-	-	-
Total Liabilities	13,703	3,786	27,124	24,717	5,139	6,756

Fund Balances:

Reserved for:

Continuing appropriations	5,671	1,012	296	-	62	1,905
Unreserved	72,925	39,810	17,524	376,384	54,103	56,920
Total Fund Balances	78,596	40,822	17,820	376,384	54,165	58,825

Total Liabilities and Fund Balances	\$ 92,299	\$ 44,608	\$ 44,944	\$ 401,101	\$ 59,304	\$ 65,581
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GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ 45	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 3,496
39,322	3,324	5,360	97,670	24,531	28,172	635,817
-	-	1,370	12,328	-	-	17,712
-	-	-	42,785	-	-	64,596
97	105	132	11	85	-	1,729
1,945	-	22	11,802	-	-	24,543
-	-	-	-	-	-	24
1	30,367	42,394	24,552	-	-	325,182
-	-	-	-	-	-	95
-	-	-	-	-	-	1,053
-	-	1	-	-	-	12
<u>\$ 41,410</u>	<u>\$ 33,797</u>	<u>\$ 49,279</u>	<u>\$ 189,148</u>	<u>\$ 24,616</u>	<u>\$ 28,172</u>	<u>\$ 1,074,259</u>

\$ 2,015	\$ 2,031	\$ 236	\$ 172	\$ 376	\$ 23	\$ 38,074
2,015	249	220	202	97	28	31,274
-	-	1,370	12,328	-	-	17,712
-	-	-	94,865	-	-	94,865
3	-	-	-	-	-	97
361	5	3	-	2	-	14,048
-	-	-	-	-	-	954
-	-	5	-	-	-	807
<u>4,394</u>	<u>2,285</u>	<u>1,834</u>	<u>107,567</u>	<u>475</u>	<u>51</u>	<u>197,831</u>

6,038	2	-	23,080	-	-	38,066
<u>30,978</u>	<u>31,510</u>	<u>47,445</u>	<u>58,501</u>	<u>24,141</u>	<u>28,121</u>	<u>838,362</u>
<u>37,016</u>	<u>31,512</u>	<u>47,445</u>	<u>81,581</u>	<u>24,141</u>	<u>28,121</u>	<u>876,428</u>
<u>\$ 41,410</u>	<u>\$ 33,797</u>	<u>\$ 49,279</u>	<u>\$ 189,148</u>	<u>\$ 24,616</u>	<u>\$ 28,172</u>	<u>\$ 1,074,259</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

(Expressed in Thousands)

	PUBLIC SAFETY & CORRECTIONAL PROGRAMS	ENVIRONMENTAL PROTECTION	HEALTHCARE & SOCIAL SERVICES	TOBACCO TAX & HEALTHCARE	JUDICIAL & LEGAL SERVICES	REGULATING & LICENSING
REVENUES						
Taxes:						
Sales	\$ 17,762	\$ -	\$ 6,272	\$ -	\$ -	\$ -
Income	-	-	-	-	-	-
Tobacco	5,180	-	9,270	280,495	-	-
Other	53,062	2,006	-	-	-	62,401
Intergovernmental	66	281	15,417	-	1,721	1,229
Licenses, fees, and permits	16,663	54,387	10,487	-	9,127	75,037
Earnings on investments	1,159	746	147	4,771	492	428
Sales and charges for services	6,756	68	498	-	16,029	589
Fines, forfeitures, and penalties	94,201	762	11,201	15	41,891	3,974
Gaming	-	-	20,907	-	-	9,238
Other	17,561	4,719	48	8	808	6,050
Total Revenues	<u>212,410</u>	<u>62,969</u>	<u>74,247</u>	<u>285,289</u>	<u>70,068</u>	<u>158,946</u>
EXPENDITURES						
Current:						
General government	33,174	1,049	3,424	661	61,596	1,669
Health and welfare	-	59,884	77,773	125,947	-	-
Inspection and regulation	-	1,459	-	-	5	117,959
Education	-	-	-	31,152	-	-
Protection and safety	102,988	-	-	-	-	15
Natural resources	15,801	1,030	-	-	-	-
Debt service:						
Principal	4,845	-	-	-	-	81
Interest and other fiscal charges	-	-	1	-	6	-
Capital outlay	14,374	135	554	191	591	695
Total Expenditures	<u>171,182</u>	<u>63,557</u>	<u>81,752</u>	<u>157,951</u>	<u>62,198</u>	<u>120,419</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>41,228</u>	<u>(588)</u>	<u>(7,505)</u>	<u>127,338</u>	<u>7,870</u>	<u>38,527</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	9,704	50,521	6,233	73	6,346	800
Transfers out	(99,186)	(54,802)	(12,465)	(8,661)	(9,030)	(57,030)
Capital lease and installment purchase contracts	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(89,482)</u>	<u>(4,281)</u>	<u>(6,232)</u>	<u>(8,588)</u>	<u>(2,684)</u>	<u>(56,230)</u>
Net Change in Fund Balances	<u>(48,254)</u>	<u>(4,869)</u>	<u>(13,737)</u>	<u>118,750</u>	<u>5,186</u>	<u>(17,703)</u>
Fund Balances - Beginning	<u>126,850</u>	<u>45,691</u>	<u>31,557</u>	<u>257,634</u>	<u>48,979</u>	<u>76,528</u>
Fund Balances - Ending	<u>\$ 78,596</u>	<u>\$ 40,822</u>	<u>\$ 17,820</u>	<u>\$ 376,384</u>	<u>\$ 54,165</u>	<u>\$ 58,825</u>

GAME & FISH	STATE PARKS DEVELOPMENT	BUSINESS DEVELOPMENT	EDUCATIONAL PROGRAMS	GROUNDWATER PROTECTION & CONSERVATION	CLEAN ELECTIONS SYSTEM	TOTAL
\$ -	\$ -	\$ -	\$ 450,751	\$ -	\$ -	\$ 474,785
-	-	-	80	-	-	80
-	-	-	-	-	-	294,945
-	-	-	-	-	-	117,469
24,152	-	2,284	2,750	-	-	47,900
34,488	3,065	2,522	163	5,428	-	211,367
773	939	682	14,402	834	-	25,373
2,279	-	394	1,083	32	-	27,728
134	-	-	-	-	10,589	162,767
5,973	-	-	42,049	-	-	78,167
2,562	270	30,026	433	4,045	8,151	74,681
<u>70,361</u>	<u>4,274</u>	<u>35,908</u>	<u>511,711</u>	<u>10,339</u>	<u>18,740</u>	<u>1,515,262</u>
-	-	32,872	-	-	12,585	147,030
-	-	-	-	-	-	263,604
-	-	-	-	-	-	119,423
-	-	-	589,626	-	-	620,778
-	-	-	-	-	-	103,003
71,906	21,238	347	-	22,202	-	132,524
771	-	-	-	-	-	5,697
887	-	-	-	-	-	894
3,161	12,709	83	12	67	-	32,572
<u>76,725</u>	<u>33,947</u>	<u>33,302</u>	<u>589,638</u>	<u>22,269</u>	<u>12,585</u>	<u>1,425,525</u>
(6,364)	(29,673)	2,606	(77,927)	(11,930)	6,155	89,737
11,327	21,828	6,335	40,831	600	-	154,598
(6,144)	(28,461)	(47,105)	(487)	(19,130)	(7,030)	(349,531)
922	-	-	-	-	-	922
6,105	(6,633)	(40,770)	40,344	(18,530)	(7,030)	(194,011)
(259)	(36,306)	(38,164)	(37,583)	(30,460)	(875)	(104,274)
37,275	67,818	85,609	119,164	54,601	28,996	980,702
<u>\$ 37,016</u>	<u>\$ 31,512</u>	<u>\$ 47,445</u>	<u>\$ 81,581</u>	<u>\$ 24,141</u>	<u>\$ 28,121</u>	<u>\$ 876,428</u>

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
NON-MAJOR SPECIAL REVENUE FUNDS		
Board of Accountancy		
Cash Transfer To General Fund	\$ 1,027,000	\$ 1,027,000
Operating Lump Sum Appropriation	2,350,100	1,439,715
Operating Lump Sum Appropriation FY07 - 08	858,170	(7,104)
Department of Administration		
ADJC Ft Grant Landfill Closure FY01 - 02	43,123	0
Administrative Adjustments	18,462	18,462
Administrative Adjustments	1,233	1,233
Archives And History Building FY04 - 05	93,151	0
Cash Transfer To General Fund	482,700	482,700
Cash Transfer To General Fund	25,104,600	25,104,600
Cash Transfer To General Fund	42,500	42,500
Cash Transfer To General Fund	21,200	21,200
Government Building Defibrillators FY01 - 02	16	0
Government Building Defibrillators FY02 - 03	293	0
New Prison Complex FY99 - 00	260,698	0
Operating Lump Sum - Bus Subsidy	850,100	597,730
Operating Lump Sum Appropriation	732,300	536,001
Pioneers Home Plumbing Renovations FY01 - 02	2,590	0
Pioneers Home Plumbing Renovations FY03 - 04	262,957	0
Yuma Prison Water Treatment Upgrade FY06 - 07	2,013,757	1,949,067
Radiation Regulatory Agency		
Cash Transfer To General Fund	12,000	12,000
MRTB Assistant	11,375	0
Operating Lump Sum Appropriation	288,800	228,767
Attorney General		
Administrative Adjustments	10,850	10,850
Administrative Adjustments	928	928
Administrative Adjustments	661	661
Cash Transfer To General Fund	253,300	253,300
Cash Transfer To General Fund	95,000	95,000
Cash Transfer To General Fund	306,800	306,800
Cash Transfer To General Fund	295,500	295,500
Cash Transfer To General Fund	400	400
Cash Transfer To General Fund	5,600	5,600
Cash Transfer To General Fund	95,300	95,300
Cash Transfer To General Fund	116,800	116,800
Operating Lump Sum Appropriation	3,948,700	2,499,943
Operating Lump Sum Appropriation	239,900	189,051
Operating Lump Sum Appropriation	4,916,300	2,625,092
Operating Lump Sum Appropriation	6,682,900	6,346,671
Risk Management ISA	9,771,500	8,392,321
Victims Rights Implementation Fund	3,277,400	3,204,088
Victims Rights/Non Reverting - HB2427 FY 00 - 01	61,730	0
Department of Agriculture		
Administrative Adjustments	734	734
Administrative Adjustments	861	861
Administrative Adjustments	1,767	1,767
Administrative Adjustments	11,860	11,860
Administrative Adjustments	1,097	1,097
Administrative Adjustments	192	192
Cash Transfer To General Fund	250,000	250,000
Cash Transfer To General Fund	138,100	138,100

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Cash Transfer To General Fund	7,500	7,500
Cash Transfer To General Fund	36,200	36,200
Cash Transfer To General Fund	15,300	15,300
Cash Transfer To General Fund	122,500	122,500
Cash Transfer To General Fund	149,800	149,800
Cash Transfer To General Fund	25,500	25,500
Cash Transfer To General Fund	35,100	35,100
Cash Transfer To General Fund	1,400	1,400
Cash Transfer To General Fund	315,900	315,900
Operating Lump Sum Appropriation	106,700	106,700
Operating Lump Sum Appropriation	300,300	263,624
Operating Lump Sum Appropriation	897,800	696,756
Operating Lump Sum Appropriation	386,200	310,027
Operating Lump Sum Appropriation	40,000	40,000
Operating Lump Sum Appropriation	54,300	51,197
Operating Lump Sum Appropriation	79,400	54,328
Operating Lump Sum Appropriation	306,100	270,634
Operating Lump Sum Appropriation	1,087,000	932,876
Operating Lump Sum Appropriation	9,200	7,347
Operating Lump Sum Appropriation	194,700	71,171
Service Fees Increase - General	300,000	56,832
Service Fees Increase - Pesticide	800,000	117,030
Wine Promotion	54,858	0
Acupuncture Board of Examiners		
Cash Transfer To General Fund	89,600	89,600
Operating Lump Sum Appropriation	129,200	111,677
Operating Lump Sum Appropriation FY07 - 08	9,142	9,142
State Board of Appraisal		
Cash Transfer To General Fund	594,600	34,600
Operating Lump Sum Appropriation	621,800	607,272
Operating Lump Sum Appropriation FY07 - 08	14,302	14,302
Automobile Theft Authority		
Automobile Theft Authority Grants	5,286,300	4,198,340
Cash Transfer To General Fund	324,100	324,100
Operating Lump Sum Appropriation	680,400	576,852
Reimbursable Programs	50,000	0
Board of Barbers		
Cash Transfer To General Fund	408,900	408,900
Operating Lump Sum Appropriation	328,200	276,290
Operating Lump Sum Appropriation FY07 - 08	72,664	2,070
Department of Financial Institutions		
Cash Transfer To General Fund	92,000	92,000
Cash Transfer To General Fund	2,372,200	2,372,200
Cash Transfer To General Fund	1,716,800	1,716,800
Board of Behavioral Health Examiners		
Cash Transfer To General Fund	12,400	12,400
Operating Lump Sum Appropriation	1,367,200	1,241,976
Operating Lump Sum Appropriation FY07 - 08	39,546	2,092
State Board of Nursing		
Cash Transfer To General Fund	1,035,600	1,035,600
CNA Investigations	561,300	380,112
Operating Lump Sum Appropriation	3,573,600	3,563,762
Operating Lump Sum Appropriation FY07 - 08	242,626	240,351

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STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Board of Cosmetology		
Cash Transfer To General Fund	1,820,200	1,820,200
Operating Lump Sum Appropriation	1,747,800	1,360,988
Operating Lump Sum Appropriation FY07 - 08	11,993	2,989
Corporation Commission		
Administrative Adjustments	21,740	21,740
Administrative Adjustments	740	740
Annual Rev Public Access Fund ARS 10-122	545,047	545,047
Annual Reversion Per ARS 44-3298	642,253	642,253
Cash Transfer To General Fund	3,676,000	3,676,000
Cash Transfer To General Fund	144,300	144,300
Cash Transfer To General Fund	1,798,200	1,798,200
Cash Transfer To General Fund	604,300	604,300
Cash Transfer To General Fund	1,125,200	1,125,200
Cash Transfers Between Agency Funds	239,200	239,200
Corporation Filings, Same Day Service	400,400	0
Investigation & Prosecution of Securities Fraud	165,599	0
Operating Lump Sum Appropriation	14,087,900	13,655,957
Operating Lump Sum Appropriation	3,946,000	3,153,003
Operating Lump Sum Appropriation	4,431,600	3,463,267
Operating Lump Sum Appropriation	928,600	881,584
Utilities, Audits, Studies, Invest, Hear	380,000	0
Utilities, Audits, Studies, Invest, Hear FY03 - 04	343,471	343,471
Utilities, Audits, Studies, Invest, Hear FY04 - 05	380,000	380,000
Utilities, Audits, Studies, Invest, Hear FY05 - 06	380,000	203,070
Utilities, Audits, Studies, Invest, Hear FY06 - 07	380,000	0
Utilities, Audits, Studies, Invest, Hear FY07 - 08	380,000	0
Early Childhood Development and Health Board		
Cash Transfer To General Fund	7,000,000	7,000,000
State Board of Chiropractic Examiners		
Cash Transfer To General Fund	71,600	71,600
Operating Lump Sum Appropriation	520,400	452,871
Operating Lump Sum Appropriation FY07 - 08	5,809	5,807
Department of Corrections		
Administrative Adjustments	1,204,457	1,204,457
Administrative Adjustments	5,901	5,901
Administrative Adjustments	72,885	72,885
Administrative Adjustments	83,103	83,103
Administrative Adjustments	324,478	324,478
Administrative Adjustments	182,666	182,666
Cash Transfer To General Fund	1,200	1,200
Cash Transfer To General Fund	15,600	15,600
Cash Transfer To General Fund	1,330,000	1,330,000
Cash Transfer To General Fund	100,000	100,000
Cash Transfer To General Fund	170,500	170,500
Cash Transfer To General Fund	909,400	909,400
Correctional Officer PS And ERE	69,563	8,801
Correctional Officer PS And ERE	310,937	34,893
Drug Treatment Pilot Program	358	0
Health Care All Other Operating Exp	10,432,500	10,432,500
New State Prisons Beds	2,822,000	0
Non-Health Care All Other Operating Exp	599,300	392,598
Non-Health Care All Other Operating Exp	600,000	270,194
Non-Health Care All Other Operating Exp	817,500	758,854

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STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Non-Health Care All Other Operating Exp	198,700	188,886
Non-Health Care All Other Operating Exp	1,240,500	1,208,723
Private Prison Per Diem	28,674,300	25,460,667
Private Prison Per Diem	800,000	800,000
Private Prison Per Diem	1,000,000	1,000,000
Provisional Beds	3,000,000	1,937,888
Provisional Beds	1,056,200	229,950
Department of Economic Security		
Adm Attorney General Legal Services	108,800	15,970
Adm Operating Lump Sum - Hsif	39,500	0
Adm Operating Lump Sum-PAC Fund	407,800	166,740
Administrative Adjustments	294,996	294,996
Administrative Adjustments	752,340	752,340
Administrative Adjustments	67,945	67,945
Administrative Adjustments	248,221	248,221
Administrative Adjustments	214,106	214,106
Cash Transfer To General Fund	2,989,500	2,989,500
Cash Transfer To General Fund	787,500	787,500
Cash Transfer To General Fund	182,100	182,100
Cash Transfer To General Fund	230,300	230,300
Cash Transfer To General Fund	1,006,100	1,006,100
Cash Transfer To General Fund	550,000	550,000
DACS Domestic Violence Prevention	2,400,000	2,153,850
DCYF Child Abuse Prevention	826,900	43,099
DCYF Children Support Svcs - Cap	750,000	750,000
DCYF Operating Lump Sum Appropriation	209,600	165,138
DDD--Autism Training & Oversight	200,000	0
DERS Independent Living Rehab Services	1,797,700	1,592,382
DERS Jobs	1,500,000	1,046,300
DERS Operating Lump Sum - Hsia	523,800	428,885
DERS Operating Lump Sum Appropriation	74,400	0
DERS Vocational Rehabilitation Services	204,700	58,390
Commission for the Deaf and Hard of Hearing		
Administrative Adjustments	15,523	15,523
Cash Transfer To General Fund	2,553,500	2,553,500
Interpreters For Certification, Licensure	418,912	123,155
Operating Lump Sum Appropriation	5,441,100	3,794,444
Department of Juvenile Corrections		
Cash Transfer To General Fund	231,600	231,600
Operating Lump Sum Appropriation	686,600	615,101
Operating Lump Sum Appropriation	4,298,600	4,073,548
State Board of Dispensing Opticians		
Cash Transfer To General Fund	1,100	1,100
Operating Lump Sum Appropriation	124,300	123,860
Operating Lump Sum Appropriation FY07 - 08	4,944	4,944
State Board of Dental Examiners		
Cash Transfer To General Fund	1,498,000	1,498,000
Operating Lump Sum Appropriation	1,102,800	1,081,453
Operating Lump Sum Appropriation	34,933	34,489
Department of Education		
Achievement Testing - Prop 301	2,340,300	130,298
Achievement Testing - Prop 301 FY07-08	1,764,166	1,764,166

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STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Additional School Days-Prop 301 FY07 - 08	14,380,083	14,380,083
Additional School Days-Prop 301 FY08 - 09	86,280,500	71,600,417
Basic State Aid Entitlement	45,220,700	45,220,700
Cash Transfer To General Fund	100,000	100,000
Cash Transfer To General Fund	133,800	133,800
Character Education - Prop 301 FY07 - 08	200,000	200,000
Character Education - Prop 301 FY08 - 09	200,000	13,394
Character Education FY05 - 06	40,136	40,136
Character Education FY06 - 07	200,000	200,000
Failing School Tutoring Fund - Prop 301	1,500,000	251,739
Failing School Tutoring Fund - Prop 301	391,951	391,951
School Accountability - Prop 301	476,798	393,819
School Accountability Fund - Prop 301	4,659,700	1,113,042
School Accountability Fund - Prop 301	211	211
School Accountability Fund - Prop 301 FY07 - 08	3,600,713	3,271,428
School Accountability-Sch Safety Prop301	7,800,000	7,004,046
School Accountability-Sch Safety Prop301 FY07 - 08	2,376	2,376
Department of Commerce		
Administrative Adjustments	68	68
Administrative Adjustments	38,879	38,879
Advertising And Promotion	659,200	307,948
Arizona Sonora Trade Office	25,000	25,000
Cash Transfer To General Fund	10,700	10,700
Cash Transfer To General Fund	299,700	299,700
Cash Transfer To General Fund	6,663,300	6,663,300
Cash Transfer To General Fund	1,100	1,100
Cash Transfer To General Fund	5,196,100	5,196,100
CEDC Commission	286,200	252,409
Economic Development Matching Funds	104,000	77,812
International Trade Offices	966,800	705,132
Main Street	130,000	114,628
Minority & Women Owned Business	129,600	121,042
National Law Center/Free Trade	200,000	200,000
Oil Overcharge Administration	184,900	0
Operating Lump Sum Appropriation	682,100	608,901
Reid Matching Grants	45,000	28,631
Small Business Advocate	127,000	118,433
Department of Environmental Quality		
Administrative Adjustments	413	413
Administrative Adjustments	143,661	143,661
Administrative Adjustments	21,215	21,215
Administrative Adjustments	5,077	5,077
Administrative Adjustments	1,175	1,175
Air Quality Management And Analysis	5,650,800	4,923,440
Air Quality Management And Analysis	5,992,300	5,752,174
Air Quality Program - Continuing FY01 - 02	186,035	0
Air Quality Program - Continuing FY02 - 03	182,451	0
Cash Transfer To General Fund	8,178,000	8,178,000
Cash Transfer To General Fund	13,109,300	13,109,300
Cash Transfer To General Fund	8,435,000	8,435,000
Cash Transfer To General Fund	14,635,400	14,635,400
Cash Transfer To General Fund	3,527,100	3,527,100

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STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Cash Transfer To General Fund	651,100	651,100
Cash Transfer To General Fund	2,778,500	2,778,500
Cash Transfer To General Fund	1,332,900	1,332,900
Cash Transfer To General Fund	11,700	11,700
Cash Transfer To General Fund	508,200	508,200
Cash Transfer To General Fund	1,491,100	1,491,100
Clean Water Revolving Fund Supplemental	5,000,000	4,637,059
Emissions Cap & Trading Program FY01 - 02	70,576	0
Emissions Cap & Trading Program FY02 - 03	266,582	0
Emissions Control - Contractor Payments	33,239,600	25,454,705
Emissions Control Program-Administration	4,231,100	2,699,629
Hazardous Waste Reserve	29,273	0
Hazardous Waste Reserve	64,000	0
Political Subdivisions Assistance FY01 - 02	18,500	0
Reversion Of Fund 2240	66,164	66,164
Roadside Diesel Emissions Testing Prog FY01 - 02	200,000	0
Roadside Diesel Emissions Testing Prog FY02 - 03	200,000	0
Service Fees Increase - Solid Waste	600,000	0
Transfers To Counties Program	165,000	165,000
Underground Storage Tank Assurance	2,000	0
Underground Storage Tank Policy Comm FY00 - 01	1	0
Underground Storage Tank Policy Comm FY99 - 00	18,857	0
Underground Storage Tank Policy Commission	10,000	1,301
Underground Storage Tank Tech Appeals FY00 - 01	7,500	0
Underground Storage Tank Technical Appeals	10,000	0
Visibility Index Development FY01 - 02	80,589	0
Visibility Index Development FY02 - 03	10,099	0
Waste Control And Management	795,000	163,284
Waste Control And Management	2,325,800	2,078,407
Waste Control And Management	1,275,800	962,876
Waste Control And Management	137,800	662
Waste Tire Program	227,300	47,894
Water Quality Program	5,887,000	4,086,114
State Board of Funeral Directors & Embalmers		
Cash Transfer To General Fund	495,700	495,700
Operating Lump Sum Appropriation	350,000	329,926
Operating Lump Sum Appropriation FY07 - 08	44	44
Office of the State Forester		
Cash Transfer To General Fund	940,200	940,200
Cash Transfer To General Fund	1,145,200	1,145,200
Game and Fish Department		
Administrative Adjustments	252,054	252,054
Administrative Adjustments	87,140	87,140
Becker Lake Facilities Improvements	74,884	3,413
Becker Lake Wildlife Area Bridge	52,000	33,475
Bellefont Shooting Range FY05	800,000	0
Black Canyon Dam Modifications FY06	499,000	0
Black Canyon Dam Modifications FY07	294,526	34,511
Boat Registration Kiosks	240,000	0
Boat Registration Kiosks	240,000	0
Boat Shade Canopies	77,573	31,231
Boat Shade Canopies	120,000	0
Building Renewal FY02 - 03	1	0
Building Renewal FY06 - 07	171	0

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STATE OF ARIZONA
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NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Building Renewal FY07 - 08	135,422	135,110
Building Renewal FY08 - 09	531,000	317,004
Cash Transfer To General Fund	2,994,500	2,994,500
Cash Transfer To General Fund	1,900	1,900
Cash Transfer To General Fund	3,300	3,300
Cash Transfer To General Fund	264,600	264,600
Cash Transfer To General Fund	197,900	197,900
Cash Transfer To General Fund	100,000	100,000
Cluff Ranch Access Improvements	6,407	6,407
Facility Improvements 01/02	30,292	30,292
Facility Improvements 02/03	5	0
Flagstaff Shooting Range Dev 00/01	33,349	0
Flagstaff Shooting Range Plng 01/02	459,179	22,500
Flagstaff Shooting Range Plng 02/03	499,900	0
Flood Warning System	98,465	68,848
Headquarters Construction	80,000	80,000
Headquarters Exp & Renovation 02/03	1,649	1,646
Headquarters Paving FY05	1	0
Headquarters Security System	4,188	2,413
House Rock Driveway Surfacing	5,001	4,972
Lake Havasu Shooting Range Development	297,502	0
Lower Colorado Multi-Species Conservation	350,000	350,000
Mesa Office Security System FY05	4,024	4,000
Microwave Communications System	207,000	207,000
Migratory Waterfowl Dev 00/01	62,979	19,870
Migratory Waterfowl Development	65,215	3,500
Migratory Waterfowl Development 01/02	69,500	13,000
Migratory Waterfowl Development 02/03	78,119	25,000
Migratory Waterfowl Habitat 93/94	1,302	0
Migratory Waterfowl Habitat FY06	93,761	15,766
Migratory Waterfowl Habitat FY07	100,000	225
Operating Lump Sum Appropriation	27,970,500	24,694,045
Operating Lump Sum Appropriation	4,152,600	1,834,484
Operating Lump Sum Appropriation	329,900	292,642
Operating Lump Sum Appropriation	43,400	18,658
Operating Lump Sum Appropriation	16,000	0
Performance Based Incentives Program	322	0
Performance Incentive Pay Program	300,000	300,000
Performance Incentive Pay Program	46,800	46,800
Performance Incentive Pay Program	1,076	0
Pinetop Warehouse And Paving	11	0
Pittman-Robertson/Dingell-Johnson Act	2,808,000	2,808,000
Regional (Mesa) Office Remodel/Expansion	250,000	0
Regional (Yuma) Office Remodel/Expansion	954,000	0
Regional (Flagstaff) Office Remodel/Expansion	1,050,000	138,507
Robbins Butte Levee	147,934	9,480
Shade Canopies FY05	1	0
Shooting Range Access Improvements	198,749	198,747
Shooting Range Dev/Grants Program FY08	25,309	25,309
Shooting Range Dev/Grants Program FY09	100,000	82,242
Shooting Range Development 02/03	1	0
Shooting Range Improvements	18,418	18,416
Shooting Range Improvements	150,000	149,625
Silver Creek Hatchery Improvement FY05	475	292

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STATE OF ARIZONA
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NON-MAJOR SPECIAL REVENUE FUNDS
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(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Statewide Preventative Maintenance	110	0
Statewide Preventative Maintenance	30,000	29,996
Statewide Preventative Maintenance FY05	7	0
Statewide Preventative Maintenance FY06	1	0
Tonto Creek Hatchery Improvements FY05	133,134	0
Tri-State Shooting Range Dev. FY05	300,000	351
W.C. Performance Based Incentives Progrm	2	0
Watercraft Grant Program	250,000	0
Watercraft Safety Education Program	1,175,000	0
Yuma Office Fence	10,000	0
Yuma Office Security System	30,000	0
Department of Gaming		
Administrative Adjustments	613	613
Casino Operation Certification	2,247,200	1,891,155
Joint Monitoring System	2,442,100	145,775
Operating Lump Sum Appropriation	8,686,600	7,789,712
Problem Gambling	300,000	300,000
Problem Gambling	2,885,100	1,716,555
Arizona Geological Survey		
Cash Transfer To General Fund	21,300	21,300
Governor's Office		
Cash Transfer To General Fund	60,300	60,300
Cash Transfer To General Fund	31,500	31,500
Arizona Health Care Cost Containment System		
Administrative Adjustments	645,010	645,010
Capitation	49,692,700	47,730,888
Cash Transfer To General Fund	195,700	195,700
Children's Health Insurance Program - Parents	24,764,400	24,699,594
Children's Health Insurance Program - Services	90,270,900	89,500,933
KidsCare Administration	8,735,600	7,731,098
Prop 204 - Capitation	4,045,400	2,962,863
Prop 204 - Capitation	13,644,300	13,644,300
Prop 204 Medicare	9,687,500	8,487,501
Arizona Department of Housing		
Cash Transfer To General Fund	3,875,300	3,875,300
Cash Transfer To General Fund	29,073,300	29,073,300
Operating Lump Sum Appropriation	944,800	911,300
Homeopathic Medical Examiners		
Cash Transfer To General Fund	900	900
Operating Lump Sum Appropriation	117,300	115,677
Operating Lump Sum Appropriation FY07 - 08	1,541	1,541
Department of Health Services		
Administrative Adjustments	861,495	861,495
Administrative Adjustments	215,582	215,582
Administrative Adjustments	653,532	653,532
Administrative Adjustments	89	89
Alzheimer Disease Research	1,000,000	1,000,000
Assurance And Licensure	38,000	0
Attorney General Legal Services	50,000	50,000
Cash Transfer To General Fund	25,798	25,798
Cash Transfer To General Fund	4,600	4,600
Cash Transfer To General Fund	1,813,200	1,813,200
Cash Transfer To General Fund	1,781,300	1,781,300
Cash Transfer To General Fund	1,079,300	1,079,300

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NON-MAJOR SPECIAL REVENUE FUNDS
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(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Cash Transfer To General Fund	300	300
Cash Transfer To General Fund	138,500	138,500
Cash Transfer To General Fund	187,800	187,800
Cash Transfer To General Fund	10,000	10,000
Cash Transfer To General Fund	779,061	779,061
Child Fatality Review Team	147,200	123,324
Child Fatality Review Team	99,100	92,675
Community Health Centers	4,500,000	3,415,592
Ems Operations	3,233,800	2,928,564
Folic Acid	400,000	333,697
High Risk Perinatal Services	450,000	355,856
Laboratory Services	970,600	821,317
Loan Repayment	650,000	137,030
Newborn Screening Fund - Indirect Costs	478,600	0
Newborn Screening Program	6,326,700	5,384,106
Operating Lump Sum Appropriation	209,400	209,400
Operating Lump Sum Appropriation	837,300	693,998
Operating Lump Sum Appropriation	1,150,000	1,039,076
Seriously Mentally Ill Non-Title XIX	31,424,800	25,785,471
Service Fees Increase	600,000	521,760
Substance Abuse - Non Title XIX	1,500,000	1,375,000
Substance Abuse - Non Title XIX	1,000,000	1,000,000
Trauma Advisory Board	405,400	337,395
Industrial Commission of Arizona		
Administrative Adjustments	20,286	20,286
Cash Transfer To General Fund	109,500	109,500
Cash Transfer To General Fund	10,693,200	10,693,200
Operating Lump Sum Appropriation	19,859,700	17,592,007
Department of Insurance		
Cash Transfer To General Fund	1,220,800	1,220,800
Cash Transfer To General Fund	900	900
Cash Transfer To General Fund	17,300	17,300
Cash Transfers Between Agency Funds	58,200	58,200
Cash Transfers Between Agency Funds	55,000	55,000
Arizona Criminal Justice Commission		
Administrative Adjustments	380	380
Administrative Adjustments	1,359	1,359
Cash Transfer To General Fund	1,937,900	1,937,900
Cash Transfer To General Fund	774,700	774,700
Cash Transfer To General Fund	1,550,000	1,550,000
Cash Transfer To General Fund	1,599,600	1,599,600
Crime Victim Comp Special Ag Transfer	8,202	8,202
Drug And Gang Prevention Resource Center	302,400	302,400
Operating Lump Sum Appropriation	785,200	755,566
State Aid To County Attorneys	1,052,500	886,733
State Aid To Indigent Defense	999,200	841,667
Victim Compensation & Assistance	4,100,000	3,996,648
Land Department		
Natural Resource Conservation Districts	260,000	260,000
Department of Liquor Licenses and Control		
Cash Transfer To General Fund	681,500	681,500
Division of Emergency Management & Military Affairs		
Operating Lump Sum-Em Response Fund	132,700	132,700

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Medical Examiners Board		
Cash Transfer To General Fund	52,100	52,100
Litigation Expenses	135,501	135,501
Operating Lump Sum Appropriation	5,822,600	5,395,725
Operating Lump Sum Appropriation	318,709	20,941
Mine Inspector		
Reclamation	177,700	57,133
Mines and Mineral Resources		
Cash Transfer To General Fund	8,500	8,500
Naturopathic Physicians Board of Medical Examiners		
Cash Transfer To General Fund	624,100	624,100
Operating Lump Sum Appropriation	181,290	175,291
Operating Lump Sum Appropriation	423,010	409,008
Operating Lump Sum Appropriation	4,662	4,662
Operating Lump Sum Appropriation	10,772	10,772
Nursing Care Examiners Board		
Cash Transfer To General Fund	1,200	1,200
Operating Lump Sum Appropriation	377,700	275,365
Operating Lump Sum Appropriation	62,433	62,433
State Board of Optometry		
Cash Transfer To General Fund	187,500	187,500
Operating Lump Sum Appropriation	202,200	183,150
Operating Lump Sum Appropriation	14,521	14,521
Arizona Board of Osteopathic Examiners		
Cash Transfer To General Fund	541,100	541,100
Operating Lump Sum Appropriation	698,700	592,272
Operating Lump Sum Appropriation	305	(1,152)
Board of Occupational Therapy Examiners		
Cash Transfer To General Fund	241,700	241,700
Operating Lump Sum Appropriation	73,470	62,997
Operating Lump Sum Appropriation	171,430	144,045
Operating Lump Sum Appropriation	10,242	1,736
Operating Lump Sum Appropriation	9,305	119
Commission on Drug Education		
Cash Transfer To General Fund	1,076,700	1,076,700
Commission for Postsecondary Education		
Administrative Adjustments	130	130
Arizona College And Career Guide	21,200	12,668
AZ Minority Ed Policy Analysis Center	100,000	32,194
Cash Transfer To General Fund	17,800	17,800
Family College Savings Program	147,400	118,259
Leveraging Educational Assistance Prtshp	3,043,700	2,712,987
Operating Lump Sum Appropriation	409,900	177,967
Twelve Plus Partnership	130,500	117,951
Arizona Pioneers' Home		
Administrative Adjustments	909	909
All Other Operating Expenditures	40,500	6,309
All Other Operating Expenditures	920,000	829,423
Prescription Drugs	258,000	168,532
PS/Employee Related Expenses (ERE)	1,063,000	1,061,000
PS/Employee Related Expenses (ERE)	601,200	590,658
PS/Employee Related Expenses (PS)	2,326,000	2,187,224
PS/Employee Related Expenses (PS)	1,466,400	1,211,455
State Board of Pharmacy		
Cash Transfer To General Fund	549,700	549,700

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Operating Lump Sum Appropriation	1,920,900	1,617,383
Operating Lump Sum Appropriation	240,462	3,837
State Board of Podiatry Examiners		
Cash Transfer To General Fund	800	800
Operating Lump Sum Appropriation	143,600	98,620
Operating Lump Sum Appropriation	35,158	35,158
State Parks Board		
Cash Transfer To General Fund	48,900	48,900
Cash Transfer To General Fund	16,820,300	16,820,300
Cash Transfer To General Fund	500,000	500,000
Cash Transfer To General Fund	1,692,900	1,692,900
Cash Transfer To General Fund	1,978,100	1,978,100
Cash Transfer To General Fund	8,300	8,300
Cash Transfers Between Agency Funds	2,000,000	2,000,000
Cash Transfers Between Agency Funds	1,000,000	1,000,000
Off Highway Vehicle Parks Operations	692,100	669,791
Operating Lump Sum Appropriation	548,000	248,054
Operating Lump Sum Appropriation	1,878,700	1,863,843
Parks Heritage Fund To Fire Suppression	1,700,000	1,700,000
Parks Heritage Fund To Fire Suppression	1,300,000	1,300,000
FY88-89 Pass Thru Grants	10,436	0
FY89-90 Pass Thru Grants	40,191	0
FY90-91 Pass Thru Grants	2,067,639	0
Land, Buildings and Improvements FY89-90	4,388	0
Land, Buildings and Improvements FY89-90	258,697	0
Land, Buildings and Improvements FY90-91	1,500	0
Land, Buildings and Improvements FY90-91	19,258	0
Land, Buildings and Improvements FY90-91	32,684	0
Department of Public Safety		
Administrative Adjustments	38,547	38,547
Cash Transfer To General Fund	4,127,300	4,127,300
Cash Transfer To General Fund	542,100	542,100
Cash Transfer To General Fund	846,500	846,500
Cash Transfer To General Fund	146,000	146,000
Cash Transfer To General Fund	518,300	518,300
Cash Transfer To General Fund	2,613,200	2,613,200
Cash Transfer To General Fund	125,000	125,000
Cash Transfer To General Fund	108,200	108,200
Cash Transfer To General Fund	113,900	113,900
Cash Transfer To General Fund	50,700	50,700
Cash Transfer To General Fund	777,500	777,500
DNA Testing	980,000	749,549
DNA Testing	1,174,665	236,133
DNA Testing	742,621	63,917
DNA Testing	1,258,331	0
Motor Vehicle Fuel	231,300	231,300
Operating Lump Sum Appropriation	21,992,000	19,058,977
Operating Lump Sum Appropriation	5,847,900	5,101,900
Operating Lump Sum Appropriation	3,293,400	3,262,513
Operating Lump Sum Appropriation	3,624,600	3,011,400
Operating Lump Sum Appropriation	3,539,500	3,539,500
Operating Lump Sum Appropriation	3,292,100	3,292,100
Photo Enforcement Fund-DPS Operating	2,173,000	2,093,651
Photo Enforcement Fund-Vendor Payments	20,361,300	4,644,324

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Photo Enforcement-Admin Office Of Courts	4,056,600	3,075,196
Photo Enforcement-General Fund Reversion	4,879,732	4,879,732
Public Safety Equipment	3,000,000	500,000
Physical Therapy Examiners Board		
Cash Transfer To General Fund	3,400	3,400
Operating Lump Sum Appropriation	360,200	334,556
Operating Lump Sum Appropriation	27,056	13,836
Private Postsecondary Education		
Cash Transfer To General Fund	145,900	145,900
Operating Lump Sum Appropriation	334,700	327,728
Operating Lump Sum Appropriation FY07 - 08	30,188	29,700
Board of Respiratory Care Examiners		
Cash Transfer To General Fund	2,700	2,700
Operating Lump Sum Appropriation	261,600	256,798
Operating Lump Sum Appropriation	34,240	34,065
Department of Racing		
Cash Transfer To General Fund	200	200
Cash Transfer To General Fund	13,100	13,100
Cash Transfer To General Fund	318,200	318,200
Cash Transfer To General Fund	415,100	415,100
Operating Lump Sum Appropriation	66,800	58,932
Operating Lump Sum Appropriation	446,800	427,659
Real Estate Department		
Cash Transfer To General Fund	5,000	5,000
Registrar of Contractors		
Cash Transfer To General Fund	2,133,200	2,133,200
Cash Transfer To General Fund	6,600,000	6,600,000
Incentive Pay	113,700	113,700
Incentive Pay	62,712	62,711
Information Management System	506,500	209,163
Information Management System	3,089,054	1,666,271
Office Of Administrative Hearing	1,002,300	1,002,300
Operating Lump Sum Appropriation	10,524,500	8,904,781
Operating Lump Sum Appropriation	643,787	104,072
Department of Revenue		
Operating Lump Sum Appropriation	662,800	661,484
Structural Pest Control Commission		
Cash Transfer To General Fund	581,700	581,700
Operating Lump Sum Appropriation	2,774,300	2,205,536
Operating Lump Sum Appropriation	383,926	22,469
Schools for the Deaf and the Blind		
Operating Lump Sum - Phoenix	4,727,200	4,727,200
Operating Lump Sum - Preschool/Outreach	2,534,800	2,534,800
Operating Lump Sum - Tucson	6,554,900	6,554,900
Voucher Fund ADJC - Preschool/Outreach	519,000	519,000
Voucher Fund Adjustment - Phoenix	299,800	299,800
Voucher Fund Adjustment - Tucson	59,700	59,700
Supreme Court		
Administrative Adjustments	1,000	1,000
Cash Transfer To General Fund	2,764,100	2,764,100
Cash Transfer To General Fund	507,200	507,200
Cash Transfer To General Fund	154,400	154,400
Cash Transfer To General Fund	1,308,500	1,308,500

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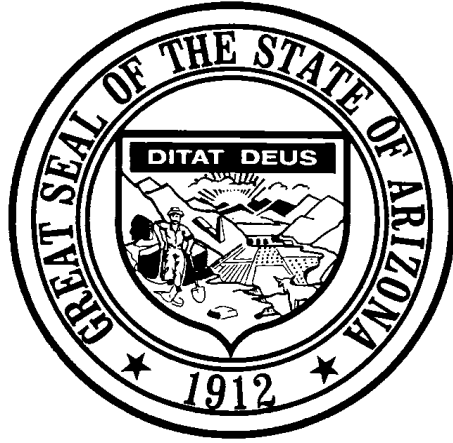
STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Cash Transfer To General Fund	719,600	719,600
Cash Transfer To General Fund	256,300	256,300
Community Punishment	1,820,400	1,498,615
Community Punishment	500,000	494,926
Court Appointed Special Advocate	3,449,200	2,713,659
Drug Study	38,514	0
Juvenile Crime Reduction	5,197,800	4,137,887
Operating Lump Sum Appropriation	484,600	319,762
Photo Enforcement Fund	4,056,600	2,369,887
Reg Activities - Conf Intermediary	147,839	0
State Aid	3,053,500	2,947,996
State Aid	2,945,300	2,847,497
State Board of Psychologist Examiners		
Cash Transfer To General Fund	567,600	567,600
Operating Lump Sum Appropriation	407,900	305,758
Operating Lump Sum Appropriation	19,065	19,065
State Board of Technical Registration		
Cash Transfer To General Fund	992,200	992,200
Operating Lump Sum Appropriation	1,745,200	1,392,745
Operating Lump Sum Appropriation	297,388	1,144
Residential Utility Consumer Office		
Administrative Adjustments	757	757
Cash Transfer To General Fund	173,400	173,400
Operating Lump Sum Appropriation	1,157,000	1,049,472
Professional Witnesses	145,000	31,151
Professional Witnesses FY01 - 02	2,909	2,909
Professional Witnesses FY02 - 03	5,617	4,855
Professional Witnesses FY03 - 04	16,194	0
Professional Witnesses FY04 - 05	53,761	41,833
Professional Witnesses FY05 - 06	128,373	82,804
Professional Witnesses FY06 - 07	119,576	0
Professional Witnesses FY07 - 08	114,464	0
Department of Veterans' Services		
Administrative Adjustments	250	250
Operating Lump Sum Appropriation	747,500	739,870
Veterinary Medical Examiners Board		
Cash Transfer To General Fund	613,800	613,800
Operating Lump Sum Appropriation	468,300	376,797
Operating Lump Sum Appropriation	28,161	(5,571)
Water Resources Department		
Assured & Adequate Water Supply Admin	1,119,100	1,011,783
Cash Transfer To General Fund	2,213,300	2,213,300
Cash Transfer To General Fund	15,227,500	15,227,500
Cash Transfer To General Fund	464,800	464,800
Cash Transfer To General Fund	645,900	645,900
Cash Transfer To General Fund	324,800	324,800
Cash Transfer To General Fund	66,300	66,300
Cash Transfer To General Fund	87,600	87,600
HB2209 Offset GF Reduction	6,900,000	6,900,000
Water Banking	3,000,000	3,000,000
Administrative Adjustments	34,044	34,044

(Continued)

STATE OF ARIZONA
BUDGETARY COMPARISON SCHEDULE, EXPENDITURES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Expressed in Dollars)

	FINAL BUDGET (Appropriations)	ACTUAL EXPENDITURE AMOUNTS
Weights and Measures Department		
Cash Transfer To General Fund	118,100	118,100
Operating Lump Sum - Vapor Recovery	651,550	622,499
Operating Lump Sum Appropriation	324,000	293,446
Operating Lump Sum-Oxygenated Fuel	891,350	787,824
Total Non-Major Special Revenue Funds Budgetary Expenditures	\$ 1,207,695,036	\$ 1,055,795,553



NON-MAJOR GOVERNMENTAL FUNDS DEBT SERVICE FUNDS

The Department of Transportation Fund administers the payment of principal and interest on the Highway Revenue Bonds issued by the Arizona Department of Transportation Board and the retirement of previously issued revenue bonds.

The Maricopa Regional Area Road Fund (RARF) administers the payment of principal and interest on the Arizona Transportation Excise Tax Revenue Bonds issued by the Arizona Department of Transportation Board and the retirement of previously issued revenue bonds.

The Certificates of Participation Fund administers the payment of principal and interest on the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration) and the retirement of previously issued certificates of participation.

The School Facilities Debt Instrument Fund administers the payment of principal and interest on revenue bonds issued by the State of Arizona's School Facilities Board and the retirement of previously issued revenue bonds.

The Grant Anticipation Notes Fund administers the payment of principal and interest on grant anticipation notes issued by the Arizona Department of Transportation Board and the retirement of previously issued grant anticipation notes.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT
ASSETS				
Cash and pooled investments with State Treasurer	\$ -	\$ -	\$ 2,772	\$ 18,339
Collateral Investment Pool	2,793	-	-	-
Interest receivable	275	50	-	171
Restricted assets:				
Cash and pooled investments with State Treasurer	2,176	330	-	-
Cash held by trustee	-	-	3,224	-
Total Assets	\$ 5,244	\$ 380	\$ 5,996	\$ 18,510
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ -	\$ -	\$ 401	\$ -
Obligations under securities loan agreements	2,793	-	-	-
Total Liabilities	2,793	-	401	-
Fund Balances:				
Reserved for debt service	\$ 2,451	\$ 380	\$ 5,595	\$ 18,510
Total Liabilities and Fund Balances	\$ 5,244	\$ 380	\$ 5,996	\$ 18,510

GRANT ANTICIPATION NOTES		TOTAL
\$	-	\$ 21,111
	-	2,793
	1	497
	178	2,684
	-	3,224
<u>\$</u>	<u>179</u>	<u>\$ 30,309</u>

\$	-	\$ 401
	-	2,793
<u></u>	<u>-</u>	<u>3,194</u>

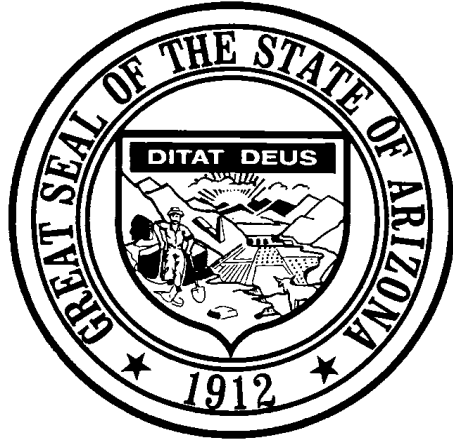
<u>\$</u>	<u>179</u>	<u>\$ 27,115</u>
<u>\$</u>	<u>179</u>	<u>\$ 30,309</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION	MARICOPA RARF	CERTIFICATES OF PARTICIPATION	SCHOOL FACILITIES DEBT INSTRUMENT
REVENUES				
Sales taxes	\$ -	\$ -	\$ -	\$ 65,811
Earnings on investments	2,000	191	75	2,101
Total Revenues	<u>2,000</u>	<u>191</u>	<u>75</u>	<u>67,912</u>
EXPENDITURES				
Debt service:				
Principal	64,190	13,825	22,215	50,525
Interest and other fiscal charges	89,872	17,202	16,362	38,031
Total Expenditures	<u>154,062</u>	<u>31,027</u>	<u>38,577</u>	<u>88,556</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(152,062)</u>	<u>(30,836)</u>	<u>(38,502)</u>	<u>(20,644)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	151,717	30,974	28,318	25,857
Transfers out	-	-	(750)	(2,198)
Total Other Financing Sources (Uses)	<u>151,717</u>	<u>30,974</u>	<u>27,568</u>	<u>23,659</u>
Net Change in Fund Balances	<u>(345)</u>	<u>138</u>	<u>(10,934)</u>	<u>3,015</u>
Fund Balances - Beginning	<u>2,796</u>	<u>242</u>	<u>16,529</u>	<u>15,495</u>
Fund Balances - Ending	<u>\$ 2,451</u>	<u>\$ 380</u>	<u>\$ 5,595</u>	<u>\$ 18,510</u>

GRANT
ANTICIPATION

NOTES	TOTAL
\$ -	\$ 65,811
5	4,372
5	70,183
24,050	174,805
14,490	175,957
38,540	350,762
(38,535)	(280,579)
38,540	275,406
-	(2,948)
38,540	272,458
5	(8,121)
174	35,236
\$ 179	\$ 27,115



NON-MAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS FUNDS

The Department of Transportation Financed Fund administers the proceeds from the Highway Revenue Bonds issued by the Arizona Department of Transportation Board. These monies are expended for the construction of federal, state, and local highways.

The Grant Anticipation Notes Financed Fund administers proceeds from Arizona Transportation Board Grant Anticipation Notes. These monies are expended for the acquisition of right-of-way purchase, or construction of certain controlled access highways within Maricopa County.

The Certificates of Participation Financed Fund administers the proceeds from the certificates of participation issued by the State of Arizona (acting by and through the Director of the Department of Administration). These monies are expended on various projects including new building construction and the development of the Human Resource Information System.

The Maricopa Regional Area Road Debt Financed Fund (MRARF) administers the bond proceeds from the Transportation Board of the State of Arizona Transportation Excise Tax Revenue Bonds. These monies are spent on the construction of State highways within Maricopa County.

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	MRARF DEBT FINANCED
ASSETS				
Collateral Investment Pool	\$ 21,040	\$ 2,107	\$ 2,649	\$ -
Receivables, net of allowances:				
Interest	755	148	394	559
Due from other Funds	-	-	-	13
Restricted assets:				
Cash and pooled investments with State Treasurer	225,615	69,975	93,516	488,677
Cash held by trustee	-	-	30,510	-
Total Assets	\$ 247,410	\$ 72,230	\$ 127,069	\$ 489,249
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ -	\$ 3,254	\$ 16,239	\$ 494
Accrued liabilities	-	-	52	-
Obligations under securities loan agreements	21,040	2,107	2,649	-
Due to other Funds	-	8	-	-
Total Liabilities	21,040	5,369	18,940	494
Fund Balances:				
Reserved for:				
Highway construction	226,370	66,861	-	488,755
Other construction	-	-	108,129	-
Total Fund Balances	226,370	66,861	108,129	488,755
Total Liabilities and Fund Balances	\$ 247,410	\$ 72,230	\$ 127,069	\$ 489,249

TOTAL

\$	25,796
	1,856
	13
	877,783
	<u>30,510</u>
\$	<u><u>935,958</u></u>

\$	19,987
	52
	25,796
	<u>8</u>
	<u><u>45,843</u></u>

	781,986
	<u>108,129</u>
	<u>890,115</u>
\$	<u><u>935,958</u></u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	GRANT ANTICIPATION NOTES FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	MRARF DEBT FINANCED
REVENUES				
Earnings on investments	\$ 10,021	\$ 1,158	\$ 3,576	\$ 4,187
Total Revenues	<u>10,021</u>	<u>1,158</u>	<u>3,576</u>	<u>4,187</u>
EXPENDITURES				
Current:				
Transportation	26,612	13,638	-	3,869
Debt service:				
Interest and other fiscal charges	1,110	467	-	2,390
Capital outlay	142,895	34,200	134,432	281,980
Total Expenditures	<u>170,617</u>	<u>48,305</u>	<u>134,432</u>	<u>288,239</u>
(Deficiency) of Revenues Over Expenditures	<u>(160,596)</u>	<u>(47,147)</u>	<u>(130,856)</u>	<u>(284,052)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,632)	-	-	-
Bonds issued	181,050	-	-	440,000
Grant anticipation notes issued	-	55,420	-	-
Premium on debt issued	7,550	7,087	-	43,486
Total Other Financing Sources (Uses)	<u>170,968</u>	<u>62,507</u>	<u>-</u>	<u>483,486</u>
Net Change in Fund Balances	10,372	15,360	(130,856)	199,434
Fund Balances - Beginning	215,998	51,501	238,985	289,321
Fund Balances - Ending	<u>\$ 226,370</u>	<u>\$ 66,861</u>	<u>\$ 108,129</u>	<u>\$ 488,755</u>

TOTAL

\$ 18,942
18,942

44,119

3,967

593,507

641,593

(622,651)

(17,632)

621,050

55,420

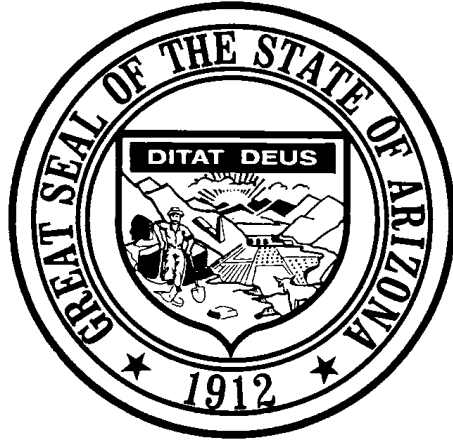
58,123

716,961

94,310

795,805

\$ 890,115



NON-MAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Arizona Industries for the Blind Fund accounts for the manufacturing, sale, distribution, and marketing of products manufactured by employees at training centers, workshops, business enterprises and home industries programs for the training and employment of adaptable visually impaired persons.

The Arizona Correctional Industries Fund employs prison inmates in its manufacturing, service, and agricultural operations for the sale of goods and services primarily to other State agencies (including the Arizona Department of Corrections) and political subdivisions.

The Arizona Highways Magazine Fund publishes and markets the Arizona Highways Magazine and various other products that promote the State of Arizona.

The Coliseum & Exposition Center Fund provides rental space to a variety of entertainment and promotional lessees, and sponsors the annual State Fair.

The Highway Expansion & Extension Loan Program provides the State and communities in Arizona a new financing mechanism to stretch limited transportation dollars and bridge the gap between needs and available revenues.

The Healthcare Group of Arizona administers prepaid medical coverage primarily to small, uninsured businesses with 50 or fewer employees and employees of political subdivisions. The Healthcare Group of Arizona processes premium billing, collections and fund disbursements, performs data analysis, and is responsible for the regulatory oversight of the health plans.

The Other Enterprise Funds consist of the State Hospital Revolving Fund, the State Home for Veterans Trust Fund, and the Arizona Beef Council.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
ASSETS					
Current Assets:					
Cash	\$ 1,683	\$ 62	\$ -	\$ 21	\$ -
Cash and pooled investments with State Treasurer	420	5,722	1,531	5,395	-
Restricted cash and pooled investments with State Treasurer	-	-	-	809	50,586
Collateral Investment Pool	-	-	-	-	2,691
Short-term investments	-	-	-	-	-
Receivables, net of allowances:					
Interest	4	4	5	-	482
Loans and notes	-	-	-	-	8,391
Other	2,056	5,035	291	3	-
Due from U.S. Government	235	-	-	-	-
Due from other Funds	9	-	12	-	-
Inventories, at cost	2,289	3,361	460	-	-
Other current assets	2	87	246	13	-
Total Current Assets	<u>6,698</u>	<u>14,271</u>	<u>2,545</u>	<u>6,241</u>	<u>62,150</u>
Noncurrent Assets:					
Restricted assets:					
Loans and notes receivable, net of allowances	-	-	-	-	15,660
Capital assets:					
Land and other non-depreciable	182	804	8	179	-
Buildings, equipment, and other depreciable, net of accumulated depreciation	732	2,704	124	8,502	-
Total Noncurrent Assets	<u>914</u>	<u>3,508</u>	<u>132</u>	<u>8,681</u>	<u>15,660</u>
Total Assets	<u>7,612</u>	<u>17,779</u>	<u>2,677</u>	<u>14,922</u>	<u>77,810</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	573	3,782	128	75	-
Accrued liabilities	449	607	82	119	7
Obligations under securities loan agreements	-	-	-	-	2,691
Due to local governments	-	-	-	-	31
Due to other Funds	-	-	-	-	-
Unearned deferred revenue	-	520	2,614	-	-
Current portion of long-term debt	-	83	-	-	-
Current portion of other long-term liabilities	194	332	131	-	12
Total Current Liabilities	<u>1,216</u>	<u>5,324</u>	<u>2,955</u>	<u>194</u>	<u>2,741</u>
Noncurrent Liabilities:					
Contracts payable	-	-	-	-	-
Long-term debt	-	226	-	-	-
Other long-term liabilities	72	-	-	168	-
Total Noncurrent Liabilities	<u>72</u>	<u>226</u>	<u>-</u>	<u>168</u>	<u>-</u>
Total Liabilities	<u>1,288</u>	<u>5,550</u>	<u>2,955</u>	<u>362</u>	<u>2,741</u>
NET ASSETS					
Invested in capital assets, net of related debt	914	3,199	132	8,681	-
Restricted for:					
Loans and other financial assistance:					
Expendable	-	-	-	-	75,069
Other	-	-	-	-	-
Unrestricted (deficit)	5,410	9,030	(410)	5,879	-
Total Net Assets	<u>\$ 6,324</u>	<u>\$ 12,229</u>	<u>\$ (278)</u>	<u>\$ 14,560</u>	<u>\$ 75,069</u>

HEALTHCARE		
GROUP OF		
ARIZONA	OTHER	TOTAL
\$ -	\$ 171	\$ 1,937
11,676	391	25,135
-	-	51,395
-	-	2,691
-	103	103
-	-	495
-	-	8,391
257	1,878	9,520
-	-	235
-	65	86
-	-	6,110
-	-	348
<u>11,933</u>	<u>2,608</u>	<u>106,446</u>
-	-	15,660
-	980	2,153
45	8,287	20,394
<u>45</u>	<u>9,267</u>	<u>38,207</u>
<u>11,978</u>	<u>11,875</u>	<u>144,653</u>
2,081	124	6,763
543	399	2,206
-	-	2,691
-	-	31
-	1	1
6,036	-	9,170
-	-	83
122	-	791
<u>8,782</u>	<u>524</u>	<u>21,736</u>
13,985	-	13,985
-	-	226
-	-	240
<u>13,985</u>	<u>-</u>	<u>14,451</u>
<u>22,767</u>	<u>524</u>	<u>36,187</u>
45	9,267	22,238
-	-	75,069
-	20	20
(10,834)	2,064	11,139
<u>\$ (10,789)</u>	<u>\$ 11,351</u>	<u>\$ 108,466</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS**
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

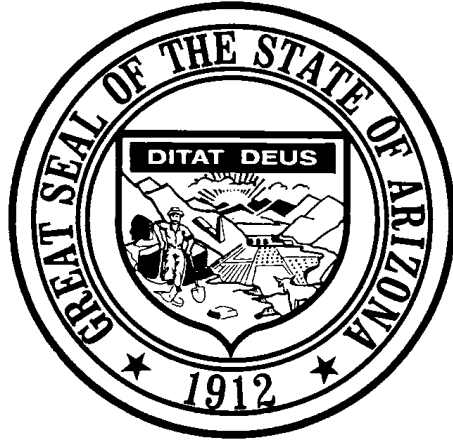
	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
OPERATING REVENUES					
Sales and charges for services	\$ 19,587	\$ 31,943	\$ 5,895	\$ 10,820	\$ -
Intergovernmental	795	-	-	-	-
Licenses, fees, and permits	-	-	-	-	-
Earnings on investments	-	-	-	-	1,128
Other	36	-	396	896	-
Total Operating Revenues	<u>20,418</u>	<u>31,943</u>	<u>6,291</u>	<u>11,716</u>	<u>1,128</u>
OPERATING EXPENSES					
Cost of sales and benefits	11,396	25,034	3,194	1,961	-
Interest	-	-	-	-	1,877
Personal services	5,556	2,662	1,780	5,178	141
Contractual services	2,288	141	701	3,150	32
Depreciation and amortization	344	496	40	712	-
Insurance	-	-	10	135	-
Other	1,019	820	200	1,148	2
Total Operating Expenses	<u>20,603</u>	<u>29,153</u>	<u>5,925</u>	<u>12,284</u>	<u>2,052</u>
Operating Income (Loss)	<u>(185)</u>	<u>2,790</u>	<u>366</u>	<u>(568)</u>	<u>(924)</u>
NON-OPERATING REVENUES (EXPENSES)					
Gain (loss) on sale of capital assets	2	189	-	-	-
Investment income	37	21	39	62	1,939
Other non-operating revenue	-	-	-	400	-
Interest Expense	(1)	(48)	-	-	-
Other non-operating expense	-	(35)	(2)	-	(59)
Total Non-Operating Revenues (Expenses)	<u>38</u>	<u>127</u>	<u>37</u>	<u>462</u>	<u>1,880</u>
Income (Loss) Before Contributions and Transfers	<u>(147)</u>	<u>2,917</u>	<u>403</u>	<u>(106)</u>	<u>956</u>
Transfers in	97	-	500	-	-
Transfers out	-	(1,237)	(1,483)	(61)	(2)
Change in Net Assets	(50)	1,680	(580)	(167)	954
Total Net Assets - Beginning	<u>6,374</u>	<u>10,549</u>	<u>302</u>	<u>14,727</u>	<u>74,115</u>
Total Net Assets - Ending	<u>\$ 6,324</u>	<u>\$ 12,229</u>	<u>\$ (278)</u>	<u>\$ 14,560</u>	<u>\$ 75,069</u>

HEALTHCARE		
GROUP OF		
ARIZONA	OTHER	TOTAL
\$ 60,462	\$ 12,763	\$ 141,470
-	60	855
-	633	633
-	-	1,128
-	40	1,368
<u>60,462</u>	<u>13,496</u>	<u>145,454</u>
53,495	435	95,515
-	-	1,877
2,425	9,681	27,423
764	1,316	8,392
58	319	1,969
-	155	300
563	1,860	5,612
<u>57,305</u>	<u>13,766</u>	<u>141,088</u>
<u>3,157</u>	<u>(270)</u>	<u>4,366</u>
-	-	191
199	6	2,303
-	-	400
-	-	(49)
(996)	-	(1,092)
<u>(797)</u>	<u>6</u>	<u>1,753</u>
<u>2,360</u>	<u>(264)</u>	<u>6,119</u>
2,800	-	3,397
<u>(152)</u>	<u>-</u>	<u>(2,935)</u>
5,008	(264)	6,581
<u>(15,797)</u>	<u>11,615</u>	<u>101,885</u>
<u>\$ (10,789)</u>	<u>\$ 11,351</u>	<u>\$ 108,466</u>

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	ARIZONA INDUSTRIES FOR THE BLIND	ARIZONA CORRECTIONAL INDUSTRIES	ARIZONA HIGHWAYS MAGAZINE	COLISEUM & EXPOSITION CENTER	HIGHWAY EXPANSION & EXTENSION LOAN PROGRAM
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 19,245	\$ 31,797	\$ 5,731	\$ 10,817	\$ 1,145
Receipts from grants and contracts	897	-	-	-	-
Receipts from repayment of loans to local governments	-	-	-	-	14,067
Receipts from other Funds	-	-	-	-	33,900
Payments to suppliers or insurance companies	(10,781)	(22,766)	(3,828)	(6,360)	(32)
Payments to employees	(5,535)	(2,795)	(1,791)	(5,228)	(142)
Payments for loans to local governments	-	-	-	-	(3,982)
Payments to other funds	-	-	-	-	(20,000)
Other receipts (payments)	(3,290)	-	400	896	(1)
Net Cash Provided (Used) by Operating Activities	<u>536</u>	<u>6,236</u>	<u>512</u>	<u>125</u>	<u>24,955</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other Funds	96	-	500	-	-
Payments of interfund loans	-	-	-	-	(54,047)
Transfers to other Funds	-	(1,237)	(1,483)	(61)	(2)
Other (payments)	-	(35)	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>96</u>	<u>(1,272)</u>	<u>(983)</u>	<u>(61)</u>	<u>(54,049)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	2	-	-	-	-
Acquisition and construction of capital assets	(36)	(170)	-	(224)	-
Interest paid on capital debt, installment purchase contracts, and capital leases	-	(48)	-	-	-
Principal paid on capital debt, installment purchase contracts, and capital leases	-	(77)	-	(3)	-
Other receipts	-	-	-	400	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(34)</u>	<u>(295)</u>	<u>-</u>	<u>173</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends from investments	40	23	40	62	2,109
Change in cash collateral received from securities lending transactions	-	-	-	-	2,691
Purchase of investments	(1)	-	-	-	-
Other (payments)	-	-	(2)	-	(59)
Net Cash Provided by Investing Activities	<u>39</u>	<u>23</u>	<u>38</u>	<u>62</u>	<u>4,741</u>
Net Increase (Decrease) in Cash and Cash Equivalents	637	4,692	(433)	299	(24,353)
Cash and Cash Equivalents - Beginning	1,466	1,092	1,964	5,926	77,630
Cash and Cash Equivalents - Ending	<u>\$ 2,103</u>	<u>\$ 5,784</u>	<u>\$ 1,531</u>	<u>\$ 6,225</u>	<u>\$ 53,277</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (185)	\$ 2,790	\$ 366	\$ (568)	\$ (924)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	344	496	40	712	-
Interest Expense	-	-	-	-	1,877
Net changes in assets and liabilities:					
(Increase) decrease in receivables, net of allowances	(362)	(598)	199	(3)	10,072
Decrease in due from U.S. Government	102	-	-	-	-
(Increase) decrease in due from other Funds	-	-	-	-	33,900
Decrease in inventories, at cost	653	43	248	-	-
Decrease in other assets	-	41	1	68	-
Increase (decrease) in accounts payable	(193)	3,118	29	(34)	-
Increase (decrease) in accrued liabilities	180	(209)	(11)	(12)	1
Increase in due to local governments	-	-	-	-	31
Increase (decrease) in due to other Funds	-	-	-	-	(20,000)
Increase (decrease) deferred revenue	-	479	(360)	-	-
Increase (decrease) in other liabilities	(3)	76	-	(38)	(2)
Net Cash Provided (Used) by Operating Activities	<u>\$ 536</u>	<u>\$ 6,236</u>	<u>\$ 512</u>	<u>\$ 125</u>	<u>\$ 24,955</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES					
Change in fair value of investments	\$ -	\$ -	\$ -	\$ -	\$ 366
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366</u>

HEALTHCARE		
GROUP OF		
ARIZONA	OTHER	TOTAL
\$ 58,450	\$ 13,342	\$ 140,527
-	60	957
-	-	14,067
-	-	33,900
(61,358)	(3,824)	(108,949)
(2,432)	(9,670)	(27,593)
-	-	(3,982)
-	-	(20,000)
-	40	(1,955)
<u>(5,340)</u>	<u>(52)</u>	<u>26,972</u>
2,800	-	3,396
-	-	(54,047)
(152)	-	(2,935)
-	-	(35)
<u>2,648</u>	<u>-</u>	<u>(53,621)</u>
-	-	2
-	-	(430)
-	-	(48)
-	-	(80)
-	-	400
<u>-</u>	<u>-</u>	<u>(156)</u>
199	6	2,479
-	-	2,691
-	(3)	(4)
-	-	(61)
<u>199</u>	<u>3</u>	<u>5,105</u>
(2,493)	(49)	(21,700)
14,169	611	102,858
<u>\$ 11,676</u>	<u>\$ 562</u>	<u>\$ 81,158</u>
\$ 3,157	\$ (270)	\$ 4,366
58	319	1,969
-	-	1,877
(236)	(17)	9,055
-	-	102
-	(7)	33,893
-	-	944
-	-	110
757	(59)	3,618
(7,057)	11	(7,097)
-	-	31
-	1	(19,999)
(2,011)	(30)	(1,922)
(8)	-	25
<u>\$ (5,340)</u>	<u>\$ (52)</u>	<u>\$ 26,972</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366</u>



INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.

The Risk Management Fund provides insurance coverage to all State agencies using an optimal combination of self-insurance and private excess insurance. It includes the Workers' Compensation section that receives monies from State agencies and uses these monies to pay for insurance and risk management services including loss control services and self-insured liability losses.

The Transportation Equipment Fund administers the purchase, storage and distribution of supplies, equipment and furniture for other Department of Transportation Funds.

The Employee Benefits Fund (HITF) administers the State's benefits program available to State employees and retirees.

The Telecommunication Fund receives monies from State agencies for services related to administering the State's contracts for the installation and maintenance of telecommunications equipment through the Telecommunications Program Office.

The Technology Fund receives monies from State agencies for services related to the implementation and operation of automation programs throughout the State.

The Retiree Sick Leave Fund accounts for monies paid out to retirees for their accumulated sick leave.

The Motor Pool Fund receives monies from State agencies for the use of State vehicles and uses these monies for operation of the State Motor Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE- COMMUNICATION	TECHNOLOGY
ASSETS					
Current Assets:					
Cash	\$ -	\$ -	\$ -	\$ 732	\$ -
Cash and pooled investments with State Treasurer	46,219	1,115	68,999	1,619	2,671
Receivables, net of allowances:					
Interest	-	8	-	-	-
Other	60	64	11,026	1,615	1,690
Due from U.S. Government	-	-	2,200	-	-
Due from other Funds	3	-	1,641	-	1,425
Inventories, at cost	-	2,711	-	-	-
Other current assets	4,310	-	-	-	1,400
Total Current Assets	<u>50,592</u>	<u>3,898</u>	<u>83,866</u>	<u>3,966</u>	<u>7,186</u>
Noncurrent Assets:					
Other long-term assets	-	-	-	1,625	-
Capital assets:					
Land and other non-depreciable	-	-	-	-	548
Buildings, equipment, and other depreciable, net of accumulated depreciation	84	50,552	21	3,440	5,007
Total Noncurrent Assets	<u>84</u>	<u>50,552</u>	<u>21</u>	<u>5,065</u>	<u>5,555</u>
Total Assets	<u>50,676</u>	<u>54,450</u>	<u>83,887</u>	<u>9,031</u>	<u>12,741</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and other current liabilities	3,652	13	75,303	64	715
Accrued liabilities	238	595	115	43	411
Due to other Funds	126	-	1,038	-	2
Current portion of accrued insurance losses	51,881	-	-	-	-
Current portion of long-term debt	-	2,594	-	-	-
Current portion of other long-term liabilities	272	565	139	49	528
Total Current Liabilities	<u>56,169</u>	<u>3,767</u>	<u>76,595</u>	<u>156</u>	<u>1,656</u>
Noncurrent Liabilities:					
Accrued insurance losses	307,932	-	-	-	-
Long-term debt	-	487	-	-	-
Other long-term liabilities	-	154	-	-	-
Total Noncurrent Liabilities	<u>307,932</u>	<u>641</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>364,101</u>	<u>4,408</u>	<u>76,595</u>	<u>156</u>	<u>1,656</u>
NET ASSETS					
Invested in capital assets, net of related debt	84	47,471	21	3,440	5,555
Unrestricted (deficit)	(313,509)	2,571	7,271	5,435	5,530
Total Net Assets	<u>\$ (313,425)</u>	<u>\$ 50,042</u>	<u>\$ 7,292</u>	<u>\$ 8,875</u>	<u>\$ 11,085</u>

RETIREE SICK LEAVE	MOTOR POOL	TOTAL
\$ -	\$ -	\$ 732
4,369	3,425	128,417
-	-	8
-	432	14,887
-	-	2,200
-	887	3,956
-	36	2,747
-	8	5,718
<u>4,369</u>	<u>4,788</u>	<u>158,665</u>
-	-	1,625
-	-	548
-	12,812	71,916
-	12,812	74,089
<u>4,369</u>	<u>17,600</u>	<u>232,754</u>
-	445	80,192
-	39	1,441
-	1	1,167
-	-	51,881
-	-	2,594
7,823	32	9,408
<u>7,823</u>	<u>517</u>	<u>146,683</u>
-	-	307,932
-	-	487
104,155	-	104,309
<u>104,155</u>	<u>-</u>	<u>412,728</u>
<u>111,978</u>	<u>517</u>	<u>559,411</u>
-	12,812	69,383
(107,609)	4,271	(396,040)
<u>\$ (107,609)</u>	<u>\$ 17,083</u>	<u>\$ (326,657)</u>

STATE OF ARIZONA
**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS**
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

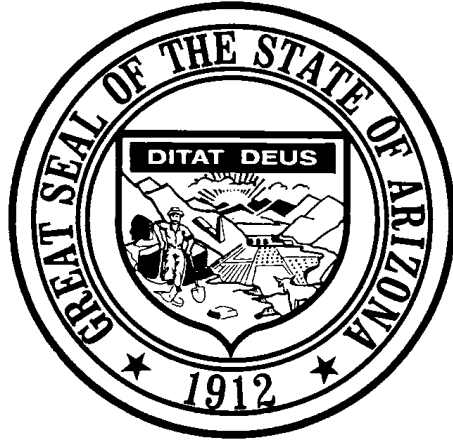
	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE- COMMUNICATION	TECHNOLOGY
OPERATING REVENUES					
Sales and charges for services	\$ 102,766	\$ 38,399	\$ 711,085	\$ 9,050	\$ 20,799
Other	-	39	1	-	2
Total Operating Revenues	<u>102,766</u>	<u>38,438</u>	<u>711,086</u>	<u>9,050</u>	<u>20,801</u>
OPERATING EXPENSES					
Cost of sales and benefits	-	10,724	725,862	23	426
Personal services	6,329	13,102	2,522	1,177	9,242
Contractual services	30,192	48	1,721	1,890	1,660
Depreciation and amortization	30	9,147	18	836	1,321
Insurance	40,797	605	57	34	217
Other	1,576	809	566	252	5,929
Total Operating Expenses	<u>78,924</u>	<u>34,435</u>	<u>730,746</u>	<u>4,212</u>	<u>18,795</u>
Operating Income (Loss)	<u>23,842</u>	<u>4,003</u>	<u>(19,660)</u>	<u>4,838</u>	<u>2,006</u>
NON-OPERATING REVENUES (EXPENSES)					
Gain (loss) on sale of capital assets	-	(152)	-	1	(2)
Investment income	-	93	-	-	-
Interest expense	-	(168)	-	-	-
Other non-operating revenue	3	259	-	-	-
Other non-operating expense	(272)	-	(9)	-	-
Total Non-Operating Revenues (Expenses)	<u>(269)</u>	<u>32</u>	<u>(9)</u>	<u>1</u>	<u>(2)</u>
Income (Loss) Before Contributions and Transfers	<u>23,573</u>	<u>4,035</u>	<u>(19,669)</u>	<u>4,839</u>	<u>2,004</u>
Capital grants and contributions	-	1,240	-	-	-
Transfers in	-	-	-	1,087	-
Transfers out	(29,624)	(10,834)	(749)	(5,683)	(2,613)
Change in Net Assets	(6,051)	(5,559)	(20,418)	243	(609)
Total Net Assets - Beginning	<u>(307,374)</u>	<u>55,601</u>	<u>27,710</u>	<u>8,632</u>	<u>11,694</u>
Total Net Assets - Ending	<u>\$ (313,425)</u>	<u>\$ 50,042</u>	<u>\$ 7,292</u>	<u>\$ 8,875</u>	<u>\$ 11,085</u>

RETIREE SICK LEAVE	MOTOR POOL	TOTAL
\$ 12,802	\$ 10,245	\$ 905,146
-	13	55
<u>12,802</u>	<u>10,258</u>	<u>905,201</u>
38,085	4,718	779,838
87	898	33,357
4	65	35,580
-	2,832	14,184
4	1,243	42,957
30	802	9,964
<u>38,210</u>	<u>10,558</u>	<u>915,880</u>
<u>(25,408)</u>	<u>(300)</u>	<u>(10,679)</u>
-	49	(104)
-	-	93
-	-	(168)
-	-	262
-	-	(281)
<u>-</u>	<u>49</u>	<u>(198)</u>
<u>(25,408)</u>	<u>(251)</u>	<u>(10,877)</u>
-	889	2,129
-	-	1,087
<u>(7,597)</u>	<u>(6,296)</u>	<u>(63,396)</u>
(33,005)	(5,658)	(71,057)
<u>(74,604)</u>	<u>22,741</u>	<u>(255,600)</u>
<u>\$ (107,609)</u>	<u>\$ 17,083</u>	<u>\$ (326,657)</u>

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	EMPLOYEE BENEFITS	TELE- COMMUNICATION
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services / premiums	\$ 102,765	\$ 38,398	\$ 705,817	\$ 10,296
Payments to suppliers or insurance companies	(77,038)	(11,363)	(733,256)	(4,450)
Payments to employees	(6,356)	(13,187)	(2,504)	(1,133)
Payments to retirees	-	-	-	-
Other receipts	-	1	-	-
Net Cash Provided (Used) by Operating Activities	<u>19,371</u>	<u>13,849</u>	<u>(29,943)</u>	<u>4,713</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other Funds	-	-	-	1,087
Transfers to other Funds	(29,624)	(10,834)	(749)	(5,683)
Other (payments)	(269)	-	(9)	-
Net Cash (Used) by Non-capital Financing Activities	<u>(29,893)</u>	<u>(10,834)</u>	<u>(758)</u>	<u>(4,596)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	1,098	-	-
Acquisition and construction of capital assets	(21)	(4,083)	-	(2,499)
Interest paid on capital debt, installment purchase contracts, and capital leases	-	(166)	-	-
Principal paid on capital debt, installment purchase contracts, and capital leases	-	(2,797)	-	-
Other receipts	-	258	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(21)</u>	<u>(5,690)</u>	<u>-</u>	<u>(2,499)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends from investments	-	91	-	-
Net Cash Provided by Investing Activities	<u>-</u>	<u>91</u>	<u>-</u>	<u>-</u>
Net (Decrease) in Cash and Cash Equivalents	(10,543)	(2,584)	(30,701)	(2,382)
Cash and Cash Equivalents - Beginning	\$ 56,762	\$ 3,699	\$ 99,700	\$ 4,733
Cash and Cash Equivalents - Ending	<u>\$ 46,219</u>	<u>\$ 1,115</u>	<u>\$ 68,999</u>	<u>\$ 2,351</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 23,842	\$ 4,003	\$ (19,660)	\$ 4,838
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	30	9,147	18	836
Net changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	-	(38)	(3,237)	1,196
(Increase) in due from U.S. Government	-	-	(387)	-
(Increase) decrease in due from other Funds	(1)	-	(1,641)	50
Decrease in inventories, at cost	-	814	-	-
(Increase) decrease in other assets	(1,307)	-	-	(1,625)
Increase (decrease) in accounts payable	944	(23)	(4,853)	(626)
Increase (decrease) in accrued liabilities	(13)	(14)	14	43
Increase (decrease) in due to other Funds	4	(1)	(201)	-
(Decrease) in accrued insurance losses	(4,114)	-	-	-
Increase (decrease) in other liabilities	(14)	(39)	4	1
Net Cash Provided (Used) by Operating Activities	<u>\$ 19,371</u>	<u>\$ 13,849</u>	<u>\$ (29,943)</u>	<u>\$ 4,713</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES				
Contribution of capital assets from other Funds	\$ -	\$ 1,240	\$ -	\$ -
Total Noncash Investing, Capital and Non-capital Financing Activities	<u>\$ -</u>	<u>\$ 1,240</u>	<u>\$ -</u>	<u>\$ -</u>

TECHNOLOGY	RETIREE SICK LEAVE	MOTOR POOL	TOTAL
\$ 21,646	\$ 12,802	\$ 10,772	\$ 902,496
(8,611)	(8)	(7,227)	(841,953)
(8,770)	(87)	(860)	(32,897)
-	(11,040)	-	(11,040)
-	-	13	14
<u>4,265</u>	<u>1,667</u>	<u>2,698</u>	<u>16,620</u>
-	-	-	1,087
(2,613)	(7,597)	(6,296)	(63,396)
-	-	-	(278)
<u>(2,613)</u>	<u>(7,597)</u>	<u>(6,296)</u>	<u>(62,587)</u>
-	-	279	1,377
(2,310)	-	-	(8,913)
-	-	-	(166)
-	-	-	(2,797)
-	-	-	258
<u>(2,310)</u>	<u>-</u>	<u>279</u>	<u>(10,241)</u>
-	-	-	91
-	-	-	91
(658)	(5,930)	(3,319)	(56,117)
\$ 3,329	\$ 10,299	\$ 6,744	\$ 185,266
\$ 2,671	\$ 4,369	\$ 3,425	\$ 129,149
\$ 2,006	\$ (25,408)	\$ (300)	\$ (10,679)
1,321	-	2,832	14,184
1,255	-	541	(283)
-	-	-	(387)
(410)	-	(14)	(2,016)
-	-	33	847
30	-	-	(2,902)
(358)	-	(433)	(5,349)
411	-	39	480
(51)	-	1	(248)
-	-	-	(4,114)
61	27,075	(1)	27,087
<u>\$ 4,265</u>	<u>\$ 1,667</u>	<u>\$ 2,698</u>	<u>\$ 16,620</u>
\$ -	\$ -	\$ 889	\$ 2,129
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 889</u>	<u>\$ 2,129</u>



PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

The Arizona State Retirement System (ASRS) is a cost-sharing, multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions.

The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions.

The Elected Officials' Retirement Plan (EORP) is a cost-sharing, multiple-employer pension plan that benefits all elected State and county officials and judges and certain elected city officials.

The Corrections Officer Retirement Plan (CORP) is an agent multiple-employer pension plan that benefits town, city and county detention officers and certain employees of the State's Department of Corrections and Department of Juvenile Corrections.

Other Employee Benefit Trust Funds account for health insurance premium subsidies and long-term disability benefits paid by the ASRS to State employees and employees of other governmental entities participating in the plans.

The Health Benefit Supplement Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for health insurance premium subsidies to eligible retired and disabled members.

The Long-Term Disability Fund is a benefit cost-sharing, multiple-employer post-employment benefit plan that provides for long term disability benefits to eligible participants.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	PENSION TRUST FUNDS			
	ASRS	PSPRS	EORP	CORP
ASSETS				
Cash	\$ 2,855	\$ 73,792	\$ 4,536	\$ 16,516
Prepaid Benefits	566	-	-	-
Receivables, net of allowances:				
Accrued interest and dividends	58,873	7,078	445	1,659
Securities sold	221,857	-	-	-
Forward contract receivable	537,983	-	-	-
Contributions	40,954	16,044	495	3,817
Court fees	-	-	833	-
Due from other Funds	1,632	-	-	-
Miscellaneous receivables	3,168	2,862	35	36
Total receivables	<u>864,467</u>	<u>25,984</u>	<u>1,808</u>	<u>5,512</u>
Investments, at fair value:				
Temporary investments	1,105,075	-	-	-
Temporary investments from securities lending	3,275,929	-	-	-
U.S. Government securities	2,753,952	202,697	12,747	47,510
Corporate bonds	2,402,063	1,052,903	66,211	246,790
Corporate stocks	12,854,992	2,242,153	140,997	525,538
Real estate mortgages and contracts	553,695	-	-	-
Collateral investment pool	-	632,722	39,598	148,495
Other investments	434,081	523,571	32,948	122,408
Total investments	<u>23,379,787</u>	<u>4,654,046</u>	<u>292,501</u>	<u>1,090,741</u>
Property and equipment, net of accumulated depreciation	-	3,943	263	695
Total Assets	<u>24,247,675</u>	<u>4,757,765</u>	<u>299,108</u>	<u>1,113,464</u>
LIABILITIES				
Accounts payable and other current liabilities	588,803	650	630	1,916
Payable for securities purchased	500,163	8,692	547	2,037
Obligation under securities loan agreements	3,275,929	632,722	39,598	148,495
Due to other Funds	2,327	-	-	-
Total Liabilities	<u>4,367,222</u>	<u>642,064</u>	<u>40,775</u>	<u>152,448</u>
NET ASSETS				
Held in Trust for Pension Benefits	<u>\$ 19,880,453</u>	<u>\$ 4,115,701</u>	<u>\$ 258,333</u>	<u>\$ 961,016</u>

OTHER EMPLOYEE
BENEFIT TRUST FUNDS

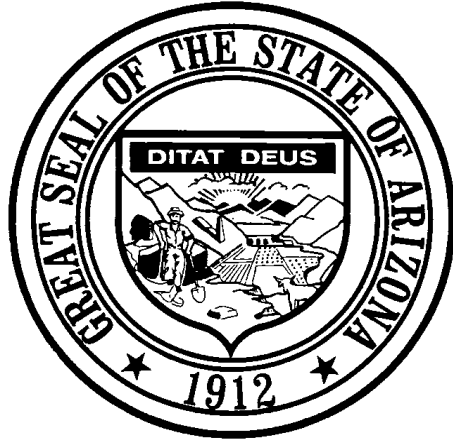
HEALTH BENEFIT SUPPLEMENT FUND		LONG-TERM DISABILITY FUND		TOTAL
\$	5,915	\$	6,548	\$ 110,162
	-		-	566
	2,636		-	70,691
	9,935		-	231,792
	24,091		-	562,074
	2,284	2,380		65,974
	-	-		833
	446	459		2,537
	78	2,611		8,790
	<u>39,470</u>	<u>5,450</u>		<u>942,691</u>
	53,552	8,194		1,166,821
	146,694	-		3,422,623
	121,666	28,871		3,167,443
	110,586	18,376		3,896,929
	570,914	159,710		16,494,304
	24,097	-		577,792
	-	-		820,815
	<u>19,208</u>	<u>-</u>		<u>1,132,216</u>
	<u>1,046,717</u>	<u>215,151</u>		<u>30,678,943</u>
	-	-		4,901
	<u>1,092,102</u>	<u>227,149</u>		<u>31,737,263</u>
	25,707	4,242		621,948
	22,397	-		533,836
	146,694	-		4,243,438
	<u>111</u>	<u>99</u>		<u>2,537</u>
	<u>194,909</u>	<u>4,341</u>		<u>5,401,759</u>
\$	<u>897,193</u>	\$	<u>222,808</u>	\$ <u>26,335,504</u>

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	PENSION TRUST FUNDS			
	ASRS	PSPRS	EORP	CORP
ADDITIONS:				
Member contributions	\$ 844,540	\$ 101,184	\$ 4,437	\$ 53,098
Employer contributions	754,044	316,222	9,529	53,807
Member purchase of service credit	69,130	7,626	377	429
Court fees	-	-	8,000	-
Investment income:				
Net (decrease) in fair value of investments	(4,607,182)	(991,713)	(67,630)	(246,296)
Interest income	239,293	46,719	1,384	13,721
Dividends	264,331	82,687	5,272	18,577
Real estate	(167,809)	-	-	-
Other investment income (loss)	(54,070)	-	-	-
Securities lending income	17,827	12,446	748	2,686
Total investment income (loss)	(4,307,610)	(849,861)	(60,226)	(211,312)
Less investment expenses:				
Investment activity expenses	99,776	18,519	1,072	4,077
Security lending expenses	26,075	4,418	230	925
Net investment income (loss)	(4,433,461)	(872,798)	(61,528)	(216,314)
Other additions	3,306	583	284	372
Total Additions	(2,762,441)	(447,183)	(38,901)	(108,608)
DEDUCTIONS:				
Retirement and disability benefits	1,888,931	444,352	34,178	55,489
Death benefits	30,378	-	-	-
Refunds to withdrawing members, including interest	120,689	7,643	132	14,879
Administrative expense	27,322	4,352	521	1,065
Other deductions	6,973	50	-	531
Total Deductions	2,074,293	456,397	34,831	71,964
Change in net assets held in trust for pension benefits	(4,836,734)	(903,580)	(73,732)	(180,572)
Net Assets - Beginning	24,717,187	5,019,281	332,065	1,141,588
Net Assets - Ending	\$ 19,880,453	\$ 4,115,701	\$ 258,333	\$ 961,016

OTHER EMPLOYEE
BENEFIT TRUST FUNDS

HEALTH		
BENEFIT SUPPLEMENT FUND	LONG-TERM DISABILITY FUND	TOTAL
\$ -	\$ 47,213	\$ 1,050,472
90,490	47,213	1,271,305
-	-	77,562
-	-	8,000
(199,928)	(47,920)	(6,160,669)
10,692	185	311,994
11,471	9	382,347
(7,282)	-	(175,091)
(2,549)	-	(56,619)
774	-	34,481
(186,822)	(47,726)	(5,663,557)
4,349	-	127,793
1,132	-	32,780
(192,303)	(47,726)	(5,824,130)
-	-	4,545
(101,813)	46,700	(3,412,246)
87,723	65,781	2,576,454
-	-	30,378
-	-	143,343
1,223	2,851	37,334
34	431	8,019
88,980	69,063	2,795,528
(190,793)	(22,363)	(6,207,774)
1,087,986	245,171	32,543,278
\$ 897,193	\$ 222,808	\$ 26,335,504



INVESTMENT TRUST FUNDS

Investment Trust Funds account for assets held by the State in a trustee capacity for local governments and political subdivisions of the State of Arizona which have elected to invest idle cash with the State Treasurer's Office. The Treasurer acts as trustee for the deposits made by participants.

Central Arizona Water Conservation District is an Investment Trust Account composed of corporate debt and United States Government securities. The Central Arizona Water Conservation District is the only participant in the account.

Local Government Investment Pool is an Investment Trust Account composed of corporate debt, negotiable certificates of deposit, and United States Government securities.

Local Government Investment Pool – Long-Term is an Investment Trust Account composed of corporate debt, negotiable certificates of deposit, and United States Government securities.

Local Government Investment Pool – Government is an Investment Trust Account composed of repurchase agreements and United States Government securities. All investments of the fund are backed by the full faith and credit of the United States Government.

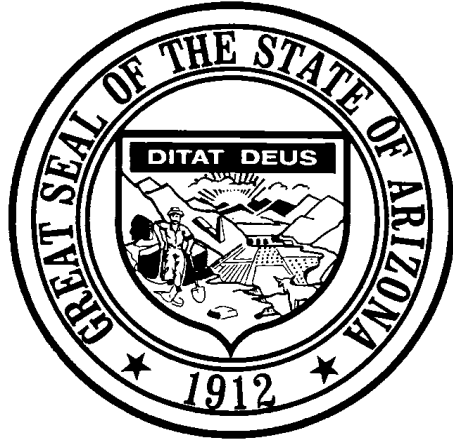
Lehman Brothers Pool is an Investment Trust Account composed of the Local Government Investment Pool's share of the Lehman Brothers bond value that was transferred to this pool due to Lehman Brothers filing for Chapter 11 bankruptcy. The transfer was made to provide for the decline in fair value of the Lehman Brothers securities held by the Local Government Investment Pool.

STATE OF ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
JUNE 30, 2009
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL- LONG-TERM	LOCAL GOVERNMENT INVESTMENT POOL- GOVERNMENT	LEHMAN BROTHERS POOL	TOTAL
ASSETS						
Receivables, net of allowances:						
Accrued interest and dividends	\$ 997	\$ 2,085	\$ 470	\$ 2,238	\$ -	\$ 5,790
Total receivables	<u>997</u>	<u>2,085</u>	<u>470</u>	<u>2,238</u>	<u>-</u>	<u>5,790</u>
Investments, at fair value:						
U.S. Government securities	53,873	810,376	47,906	443,388	-	1,355,543
Corporate bonds	6,607	-	-	-	-	6,607
Corporate notes	42,118	416,149	18,975	53,000	4,802	535,044
Collateral investment pool	3,867	13,260	623	96,784	-	114,534
Repurchase agreements	-	264,509	-	2,088,966	-	2,353,475
Money market mutual funds	11,308	-	3,184	-	-	14,492
Total investments	<u>117,773</u>	<u>1,504,294</u>	<u>70,688</u>	<u>2,682,138</u>	<u>4,802</u>	<u>4,379,695</u>
Total Assets	<u>118,770</u>	<u>1,506,379</u>	<u>71,158</u>	<u>2,684,376</u>	<u>4,802</u>	<u>4,385,485</u>
LIABILITIES						
Payable for securities purchased	3,077	-	-	-	-	3,077
Obligations under securities loan agreements	3,867	13,260	623	96,784	-	114,534
Due to local governments	1,128	3,321	642	4,673	-	9,764
Total Liabilities	<u>8,072</u>	<u>16,581</u>	<u>1,265</u>	<u>101,457</u>	<u>-</u>	<u>127,375</u>
NET ASSETS						
Held in trust for pool participants	<u>\$ 110,698</u>	<u>\$ 1,489,798</u>	<u>\$ 69,893</u>	<u>\$ 2,582,919</u>	<u>\$ 4,802</u>	<u>\$ 4,258,110</u>
Net assets consist of:						
Participant shares outstanding	110,698	1,489,798	68,860	2,582,919	32,534	4,284,809
Participants' net asset value (net assets/shares outstanding)	\$ 1.00	\$ 1.00	\$ 1.02	\$ 1.00	\$ 0.15	

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	CENTRAL ARIZONA WATER CONSERVATION DISTRICT	LOCAL GOVERNMENT INVESTMENT POOL	LOCAL GOVERNMENT INVESTMENT POOL- LONG-TERM	LOCAL GOVERNMENT INVESTMENT POOL- GOVERNMENT	LEHMAN BROTHERS POOL	TOTAL
ADDITIONS:						
Investment income (loss):						
Net increase (decrease) in fair value of investments	\$ 829	\$ -	\$ 1,146	\$ (1,139)	\$ (27,732)	\$ (26,896)
Interest income	4,507	31,779	2,452	19,889	-	58,627
Securities lending income	-	2	1	27	-	30
Total investment income (loss)	5,336	31,781	3,599	18,777	(27,732)	31,761
Less: Investment activity expenses						
Investment activity expenses	69	1,181	39	1,671	-	2,960
Securities lending expenses	-	1	-	23	-	24
Net investment income (loss)	5,267	30,599	3,560	17,083	(27,732)	28,777
Capital share and individual account transactions:						
Shares sold	11,714	2,869,944	16,002	4,253,399	-	7,151,059
Reinvested interest income	4,722	31,267	2,359	24,192	-	62,540
Shares redeemed	(18,967)	(4,036,447)	(1,447)	(3,791,182)	-	(7,848,043)
Shares transferred	-	(32,534)	-	-	32,534	-
Net capital share and individual account transactions	(2,531)	(1,167,770)	16,914	486,409	32,534	(634,444)
Total Additions	2,736	(1,137,171)	20,474	503,492	4,802	(605,667)
DEDUCTIONS:						
Dividends to investors	5,267	30,599	3,559	17,084	-	56,509
Total Deductions	5,267	30,599	3,559	17,084	-	56,509
Change in net assets held in trust for pool participants	(2,531)	(1,167,770)	16,915	486,408	4,802	(662,176)
Net Assets - Beginning	113,229	2,657,568	52,978	2,096,511	-	4,920,286
Net Assets - Ending	\$ 110,698	\$ 1,489,798	\$ 69,893	\$ 2,582,919	\$ 4,802	\$ 4,258,110



AGENCY FUNDS

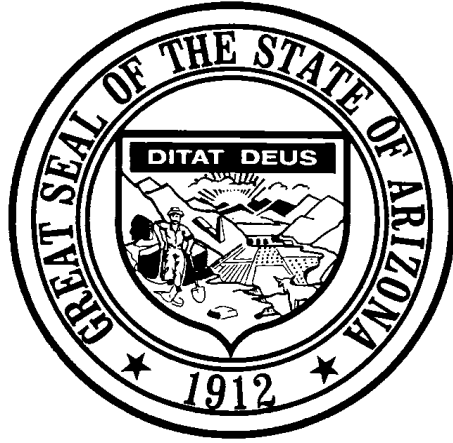
Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, property collected by the State, and payment of the health insurance subsidy by the PSPRS, the EORP, and the CORP, where the State acts as an agent for distribution to other governmental units or organizations.

The Treasurer Custodial Securities Fund consists of securities held by the State Treasurer for various State agencies as required by statute.

The Other Treasurer Funds account for other various deposits that are required to be made by other governmental units or organizations with the State Treasurer.

The Health Insurance Subsidy Fund accounts for other post-employment benefit payments of the health insurance subsidy by the PSPRS, the EORP, and the CORP for eligible retired and disabled members.

The Other Funds consist of various funds where the State acts as an agent for distribution to other governmental units or organizations.



STATE OF ARIZONA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2009
 (Expressed in Thousands)

	TREASURER CUSTODIAL SECURITIES FUND	OTHER TREASURER FUNDS	OTHER FUNDS	TOTAL
ASSETS				
Cash	\$ -	\$ -	\$ 28,017	\$ 28,017
Cash and pooled investments with State Treasurer	-	21,441	199,268	220,709
Short-term investments	-	-	4,487	4,487
Receivables, net of allowances:				
Accrued interest	-	57	62	119
Due from others	-	-	80,168	80,168
Custodial securities in safekeeping	3,408,326	-	59,959	3,468,285
Other assets	-	-	8,816	8,816
Total Assets	\$ 3,408,326	\$ 21,498	\$ 380,777	\$ 3,810,601
LIABILITIES				
Due to local governments	\$ -	\$ 9,275	\$ 146,443	\$ 155,718
Due to others	3,408,326	12,223	234,334	3,654,883
Total Liabilities	\$ 3,408,326	\$ 21,498	\$ 380,777	\$ 3,810,601

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Expressed in Thousands)

	BALANCE JULY 1, 2008	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2009
TREASURER CUSTODIAL SECURITIES FUND				
Assets:				
Custodial securities in safekeeping	\$ 3,256,879	\$ 6,328,324	\$ 6,176,877	\$ 3,408,326
Total Assets	<u>\$ 3,256,879</u>	<u>\$ 6,328,324</u>	<u>\$ 6,176,877</u>	<u>\$ 3,408,326</u>
Liabilities:				
Due to others	\$ 3,256,879	\$ 6,328,324	\$ 6,176,877	\$ 3,408,326
Total Liabilities	<u>\$ 3,256,879</u>	<u>\$ 6,328,324</u>	<u>\$ 6,176,877</u>	<u>\$ 3,408,326</u>
OTHER TREASURER FUNDS				
Assets:				
Cash and pooled investments with State Treasurer	\$ 30,074	\$ 311,072	\$ 319,705	\$ 21,441
Receivables, net of allowances:				
Accrued interest	57	57	57	57
Total Assets	<u>\$ 30,131</u>	<u>\$ 311,129</u>	<u>\$ 319,762</u>	<u>\$ 21,498</u>
Liabilities:				
Due to local governments	\$ 11,716	\$ 271,856	\$ 274,297	\$ 9,275
Due to others	18,415	35,490	41,682	12,223
Total Liabilities	<u>\$ 30,131</u>	<u>\$ 307,346</u>	<u>\$ 315,979</u>	<u>\$ 21,498</u>
HEALTH INSURANCE SUBSIDY FUND				
Assets:				
Cash	\$ -	\$ 15,339	\$ 15,339	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 15,339</u>	<u>\$ 15,339</u>	<u>\$ -</u>
Liabilities:				
Benefits payable	\$ -	\$ 15,339	\$ 15,339	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 15,339</u>	<u>\$ 15,339</u>	<u>\$ -</u>

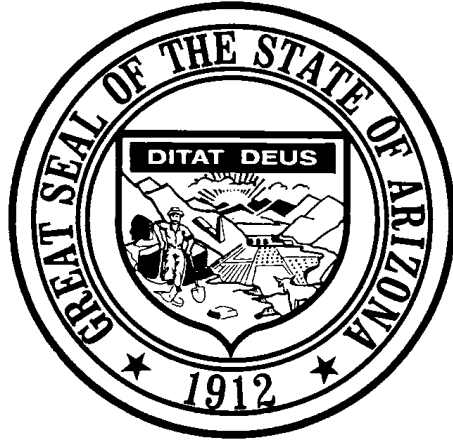
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STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Expressed in Thousands)

	BALANCE JULY 1, 2008	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2009
OTHER FUNDS				
Assets:				
Cash	\$ 29,474	\$ 745,111	\$ 746,568	\$ 28,017
Cash and pooled investments with State Treasurer	200,650	5,462,347	5,463,729	199,268
Short-term investments	-	4,487	-	4,487
Receivables, net of allowances:				
Accrued interest	83	58	79	62
Due from others	78,655	80,168	78,655	80,168
Other investments	13,362	-	13,362	-
Custodial securities in safekeeping	87,498	59,959	87,498	59,959
Other assets	-	8,816	-	8,816
Total Assets	\$ 409,722	\$ 6,360,946	\$ 6,389,891	\$ 380,777
Liabilities:				
Due to local governments	\$ 161,016	\$ 7,726,759	\$ 7,741,332	\$ 146,443
Due to others	248,706	1,142,551	1,156,923	234,334
Total Liabilities	\$ 409,722	\$ 8,869,310	\$ 8,898,255	\$ 380,777

COMBINED TOTAL ALL AGENCY FUNDS

Assets:				
Cash	\$ 29,474	\$ 760,450	\$ 761,907	\$ 28,017
Cash and pooled investments with State Treasurer	230,724	5,773,419	5,783,434	220,709
Short-term investments	-	4,487	-	4,487
Receivables, net of allowances:				
Accrued interest	140	115	136	119
Due from others	78,655	80,168	78,655	80,168
Other investments	13,362	-	13,362	-
Custodial securities in safekeeping	3,344,377	6,388,283	6,264,375	3,468,285
Other assets	-	8,816	-	8,816
Total Assets	\$ 3,696,732	\$ 13,015,738	\$ 12,901,869	\$ 3,810,601
Liabilities:				
Benefits payable	\$ -	\$ 15,339	\$ 15,339	\$ -
Due to local governments	172,732	7,998,615	8,015,629	155,718
Due to others	3,524,000	7,506,365	7,375,482	3,654,883
Total Liabilities	\$ 3,696,732	\$ 15,520,319	\$ 15,406,450	\$ 3,810,601



NON-MAJOR UNIVERSITIES – AFFILIATED COMPONENT UNITS

Component units affiliated with the Universities are legally separate, tax-exempt organizations controlled by separate Boards of Directors that meet the criteria established in GASB 39, with the exception of the Collegiate Golf Foundation, University Public Schools, Inc. (UPSI), and University of Arizona Campus Research Corporation (CRC). The Collegiate Golf Foundation is included because it is a legally separate organization that the State believes would be misleading to exclude due to its financial relationship to the State. The UPSI is included because it is a legally separate, tax-exempt organization that the State believes would be misleading to exclude due to its close affiliation with the State. The CRC is included because the U of A appoints a majority of the board of directors and approves the budget; the U of A can thus impose its will on the CRC.

The Northern Arizona University Foundation receives gifts and bequests, administers and invests securities and property, and disburses payments to and on behalf of the NAU for advancement of its mission.

The Northern Arizona Capital Facilities Finance Corporation was established for the purpose of acquiring, developing, constructing, maintaining and operating student housing and other capital facilities and equipment for the use and benefit of the NAU's students.

Mesa Student Housing, LLC provides facilities for use by students of the ASU.

Sun Angel Foundation receives funds primarily through donations and dues, and contribute funds to the ASU for support of various programs.

Sun Angel Endowment receives funds primarily through donations and dues, and contribute funds to the ASU for support of various programs.

The Collegiate Golf Foundation operates an ASU-owned golf course.

Arizona State University Research Park, Inc. is developing a research park to promote and support research activities in coordination with the ASU.

The Arizona State University Alumni Association receives funds primarily through donations and dues, and contribute funds to the ASU for support of various programs.

Downtown Phoenix Student Housing, LLC provides facilities for use by students of the ASU.

University Public Schools, Inc. operates a public school designed to be on the forefront of education innovation and improvement, with the goal of developing educational models that can be scaled across the State and nation to improve the academic achievement of children.

The University of Arizona Law College Association was established to provide support and financial assistance to the College of Law at the U of A. The Law Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships.

The University of Arizona Campus Research Corporation was established to assist the U of A in the acquisition, improvement, and operation of the U of A Science and Technology Park and related properties.

The University of Arizona Alumni Association was established to serve the U of A and its graduates, former students, and friends by attracting, organizing and encouraging them to advance the U of A's missions - teaching, research, and public service.

STATE OF ARIZONA
COMBINING STATEMENT OF FINANCIAL POSITION
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
JUNE 30, 2009
(Expressed in Thousands)

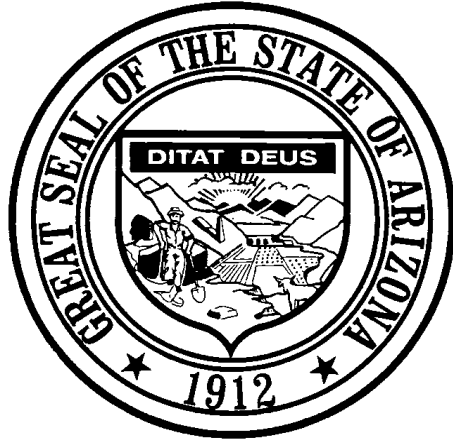
	NORTHERN ARIZONA UNIVERSITY FOUNDATION	NORTHERN ARIZONA CAPITAL FACILITIES FINANCE CORP.	MESA STUDENT HOUSING	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	COLLEGIATE GOLF FOUNDATION
ASSETS						
Cash and cash equivalent investments	\$ 3,772	\$ 11	\$ 691	\$ 1,611	\$ 471	\$ 99
Receivables:						
Pledges receivable	8,323	-	-	9,245	92	-
Other receivables	170	188	-	95	-	76
Total receivables	8,493	188	-	9,340	92	76
Investments:						
Investments in securities	59,646	-	4,122	-	7,442	-
Investments held in trust for Universities	4,069	-	-	-	-	-
Other investments	-	-	-	-	2,608	-
Total investments	63,715	-	4,122	-	10,050	-
Net direct financing leases	-	48,560	-	-	-	-
Property and equipment, net of accumulated depreciation	55	-	13,240	1,958	-	151
Licenses	5,559	-	-	-	-	-
Other assets	769	1,632	1,106	159	28	185
Total Assets	82,363	50,391	19,159	13,068	10,641	511
LIABILITIES						
Liability under Universities' endowment trust agreements	4,987	-	-	-	-	-
Bonds payable	-	48,522	18,914	-	-	-
Unearned revenue	8,734	22	53	23	-	95
Other liabilities	959	184	848	752	5,000	333
Total Liabilities	14,680	48,728	19,815	775	5,000	428
NET ASSETS						
Permanently restricted	34,737	-	-	-	1,842	-
Temporarily restricted	17,147	-	-	12,100	157	-
Unrestricted (deficit)	15,799	1,663	(656)	193	3,642	83
Total Net Assets	\$ 67,683	\$ 1,663	\$ (656)	\$ 12,293	\$ 5,641	\$ 83

ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION	DOWNTOWN PHOENIX STUDENT HOUSING	UNIVERSITY PUBLIC SCHOOLS	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	TOTALS
\$ 1,829	\$ 530	\$ 1,239	\$ 128	\$ 3,085	\$ 4,629	\$ 1,674	\$ 19,769
-	95	-	-	29,901	-	-	47,656
8,875	135	312	98	-	1,514	3,190	14,653
<u>8,875</u>	<u>230</u>	<u>312</u>	<u>98</u>	<u>29,901</u>	<u>1,514</u>	<u>3,190</u>	<u>62,309</u>
1,495	12,018	12,895	-	4,665	-	3,804	106,087
-	-	-	-	-	-	-	4,069
-	-	-	-	150	-	-	2,758
<u>1,495</u>	<u>12,018</u>	<u>12,895</u>	<u>-</u>	<u>4,815</u>	<u>-</u>	<u>3,804</u>	<u>112,914</u>
-	-	-	-	-	-	-	48,560
6,925	-	120,771	14	100	11,081	44	154,339
-	-	-	-	-	-	-	5,559
<u>2,167</u>	<u>34</u>	<u>6,649</u>	<u>24</u>	<u>7</u>	<u>4,227</u>	<u>87</u>	<u>17,074</u>
<u>21,291</u>	<u>12,812</u>	<u>141,866</u>	<u>264</u>	<u>37,908</u>	<u>21,451</u>	<u>8,799</u>	<u>420,524</u>
-	-	-	-	-	-	-	4,987
10,935	-	141,266	-	-	9,078	31	228,746
13,410	1,308	13	-	-	491	4,757	28,906
<u>1,270</u>	<u>104</u>	<u>5,826</u>	<u>137</u>	<u>26</u>	<u>2,854</u>	<u>48</u>	<u>18,341</u>
<u>25,615</u>	<u>1,412</u>	<u>147,105</u>	<u>137</u>	<u>26</u>	<u>12,423</u>	<u>4,836</u>	<u>280,980</u>
-	-	-	-	3,920	-	-	40,499
-	190	-	21	33,651	-	-	63,266
<u>(4,324)</u>	<u>11,210</u>	<u>(5,239)</u>	<u>106</u>	<u>311</u>	<u>9,028</u>	<u>3,963</u>	<u>35,779</u>
<u>\$ (4,324)</u>	<u>\$ 11,400</u>	<u>\$ (5,239)</u>	<u>\$ 127</u>	<u>\$ 37,882</u>	<u>\$ 9,028</u>	<u>\$ 3,963</u>	<u>\$ 139,544</u>

STATE OF ARIZONA
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR UNIVERSITIES - AFFILIATED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	NORTHERN ARIZONA UNIVERSITY FOUNDATION	NORTHERN ARIZONA CAPITAL FACILITIES FINANCE CORP.	MESA STUDENT HOUSING	SUN ANGEL FOUNDATION	SUN ANGEL ENDOWMENT	COLLEGIATE GOLF FOUNDATION
REVENUES						
Contributions	\$ 6,668	\$ -	\$ -	\$ 9,292	\$ 92	\$ 340
Rental revenue	-	28	6,483	-	-	-
Sales and services	-	-	9	321	-	4,032
Net investment income	(10,665)	2,167	104	53	(1,112)	1
Capital lease revenue	-	113	-	-	-	-
Licensing revenue	2,309	-	-	-	-	-
Other revenues	692	-	165	1,256	1	-
Total Revenues	(996)	2,308	6,761	10,922	(1,019)	4,373
EXPENSES						
Program services:						
Payments to Universities	-	-	-	9,746	-	237
Leasing related expenses	-	-	-	-	-	-
Payments on behalf of Universities	-	-	-	-	-	-
Other program services	5,385	-	-	-	-	-
Personal services, operations, and administrative expenses	427	30	4,228	1,010	36	3,873
Fundraising expenses	2,147	-	-	1,034	-	-
Interest	-	2,230	1,170	-	224	18
Depreciation and amortization	1,227	60	692	-	-	70
Other expenses	-	-	42	42	-	-
Total Expenses	9,186	2,320	6,132	11,832	260	4,198
Increase (Decrease) in Net Assets	(10,182)	(12)	629	(910)	(1,279)	175
Net Assets - Beginning	77,865	1,675	(1,285)	13,203	6,920	(92)
Cumulative effect of accounting change	-	-	-	-	-	-
Net Assets - Ending	\$ 67,683	\$ 1,663	\$ (656)	\$ 12,293	\$ 5,641	\$ 83

ARIZONA STATE UNIVERSITY RESEARCH PARK, INC.	ARIZONA STATE UNIVERSITY ALUMNI ASSOCIATION	DOWNTOWN PHOENIX STUDENT HOUSING	UNIVERSITY PUBLIC SCHOOLS	UNIVERSITY OF ARIZONA LAW COLLEGE ASSOCIATION	UNIVERSITY OF ARIZONA CAMPUS RESEARCH CORPORATION	UNIVERSITY OF ARIZONA ALUMNI ASSOCIATION	TOTALS
\$ -	\$ 1,118	\$ -	\$ 20	\$ 2,541	\$ -	\$ 193	\$ 20,264
5,661	-	3,857	-	-	12,651	-	28,680
-	2,784	87	177	-	-	803	8,213
32	(2,402)	495	1	(996)	9	(663)	(12,976)
-	-	-	-	-	-	-	113
-	-	-	-	-	-	-	2,309
70	71	36	1,544	61	1,167	2,690	7,753
5,763	1,571	4,475	1,742	1,606	13,827	3,023	54,356
1,649	-	-	-	-	-	-	11,632
-	-	-	-	-	8,883	-	8,883
-	-	-	-	2,980	475	2,893	6,348
-	-	-	-	-	-	-	5,385
1,238	4,054	1,642	1,615	56	1,658	657	20,524
-	-	-	-	121	-	120	3,422
468	-	5,089	-	-	-	-	9,199
595	-	2,622	-	-	-	-	5,266
150	107	377	-	48	-	-	766
4,100	4,161	9,730	1,615	3,205	11,016	3,670	71,425
1,663	(2,590)	(5,255)	127	(1,599)	2,811	(647)	(17,069)
(5,987)	13,990	16	-	39,486	6,217	4,610	156,618
-	-	-	-	(5)	-	-	(5)
\$ (4,324)	\$ 11,400	\$ (5,239)	\$ 127	\$ 37,882	\$ 9,028	\$ 3,963	\$ 139,544



STATISTICAL SECTION

(Not Covered by the Independent Auditors' Report)

STATISTICAL SECTION

This part of the State of Arizona's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends – *Schedules 1 thru 4* contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity – *Schedules 5 thru 9* contain information to help the reader assess the State's most significant own-source revenues, the sales tax, and personal income tax.

Debt Capacity – *Schedules 10 thru 21* present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information – *Schedules 22 and 23* offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and among other governments.

Operating Information – *Schedules 24 thru 26* contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

STATE OF ARIZONA
SCHEDULE 1
NET ASSETS BY COMPONENT (1)
FOR THE LAST EIGHT FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	Fiscal Year				
	2009	2008	2007, as restated	2006, as restated	2005, as restated
GOVERNMENTAL ACTIVITIES:					
Invested in capital assets, net of related debt (3)	\$ 15,094,719	\$ 14,530,867	\$ 13,500,218	\$ 12,878,151	\$ 11,825,961
Restricted for:					
Federal grants	34,345	53,212	40,737	63,219	102,794
Capital projects (4)	532,766	970,202	1,003,824	561,795	548,488
Debt service	26,442	36,496	38,804	44,846	28,708
Permanent funds:					
Expendable	93,302	69,305	21,290	19,244	5,106
Nonexpendable	2,866,103	3,523,725	3,467,467	2,785,419	2,164,200
Other purposes	437,636	334,425	161,917	86,345	88,992
Unrestricted	(2,984,628)	(1,105,246)	614,606	733,455	(463,515)
Total Governmental Activities Net Assets	\$ 16,100,685	\$ 18,412,986	\$ 18,848,863	\$ 17,172,474	\$ 14,300,734
BUSINESS-TYPE ACTIVITIES:					
Invested in capital assets, net of related debt	\$ 1,328,658	\$ 1,387,655	\$ 1,186,177	\$ 1,146,618	\$ 1,172,613
Restricted for:					
Capital projects	3,578	6,207	8,505	6,106	2,657
Unemployment compensation	619,003	1,072,996	1,075,038	949,919	820,383
Debt service	27,293	10,045	11,119	9,198	8,203
University funds:					
Expendable (5)	203,806	264,466	210,635	189,746	171,976
Nonexpendable (5)	156,630	153,383	199,471	178,001	163,922
Loans and other financial assistance (5)	75,069	74,115	71,211	67,423	64,875
Other purposes (5)	20	-	12	62	-
Unrestricted	376,908	188,354	295,377	179,524	84,248
Total Business-type Activities Net Assets	\$ 2,790,965	\$ 3,157,221	\$ 3,057,545	\$ 2,726,597	\$ 2,488,877
PRIMARY GOVERNMENT:					
Invested in capital assets, net of related debt	\$ 16,423,377	\$ 15,918,522	\$ 14,686,395	\$ 14,024,769	\$ 12,998,574
Restricted for:					
Federal grants	34,345	53,212	40,737	63,219	102,794
Capital projects	536,344	976,409	1,012,329	567,901	551,145
Unemployment compensation	619,003	1,072,996	1,075,038	949,919	820,383
Debt service	53,735	46,541	49,923	54,044	36,911
Permanent funds / University funds:					
Expendable (5)	297,108	333,771	231,925	208,990	177,082
Nonexpendable (5)	3,022,733	3,677,108	3,666,938	2,963,420	2,328,122
Loans and other financial assistance (5)	75,069	74,115	71,211	67,423	64,875
Other purposes (5)	437,656	334,425	161,929	86,407	88,992
Unrestricted	(2,607,720)	(916,892)	909,983	912,979	(379,267)
Total Primary Government Net Assets	\$ 18,891,650	\$ 21,570,207	\$ 21,906,408	\$ 19,899,071	\$ 16,789,611

- (1) This schedule reports using the accrual basis of accounting.
- (2) The State implemented GASB Statement 34 in fiscal year 2002. Therefore, ten years of data is not available, but will be accumulated over time.
- (3) For fiscal year 2006, net assets for governmental activities were increased by the capitalization of \$302,375 of capital assets that were previously recorded as transportation expenses.
- (4) For fiscal year 2007, the \$442,029 increase was primarily due to the transfer of \$245,000 of General Fund monies in order to accelerate the construction of certain critical projects on the State highway system, and \$185,000 in unspent bond proceeds related to highway construction.
- (5) For fiscal year 2002, net assets restricted for expendable University funds of \$130,735 and for nonexpendable University funds of \$137,854 were classified as net assets restricted for loans and other financial assistance of \$175,661 and for other purposes of \$92,928.

Fiscal Year		
2004, as restated	2003, as restated	2002, as restated (2)
\$ 11,226,325	\$ 10,690,782	\$ 10,043,985
73,466	108,268	158,424
414,113	495,663	589,996
31,302	30,470	51,861
-	20,082	56,697
1,550,247	1,395,750	1,243,389
31,447	21,080	24,132
(684,492)	(799,587)	358,806
<u>\$ 12,642,408</u>	<u>\$ 11,962,508</u>	<u>\$ 12,527,290</u>
\$ 1,169,198	\$ 1,153,428	\$ 1,165,306
3,023	21,842	33,515
796,119	893,470	1,055,543
16,940	24,715	30,153
157,595	143,683	-
153,073	141,281	-
63,500	63,249	258,954
-	2,763	95,146
115,986	251,415	277,195
<u>\$ 2,475,434</u>	<u>\$ 2,695,846</u>	<u>\$ 2,915,812</u>
\$ 12,395,523	\$ 11,844,210	\$ 11,209,291
73,466	108,268	158,424
417,136	517,505	623,511
796,119	893,470	1,055,543
48,242	55,185	82,014
157,595	163,765	56,697
1,703,320	1,537,031	1,243,389
63,500	63,249	258,954
31,447	23,843	119,278
(568,506)	(548,172)	636,001
<u>\$ 15,117,842</u>	<u>\$ 14,658,354</u>	<u>\$ 15,443,102</u>

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET ASSETS (1)
FOR THE LAST EIGHT FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	Fiscal Year				
	2009	2008	2007, as restated	2006, as restated	2005
EXPENSES					
Governmental Activities:					
General government	\$ 928,485	\$ 982,382	\$ 802,659	\$ 781,542	\$ 646,452
Health and welfare	12,055,439	10,884,297	9,789,699	9,057,733	8,494,206
Inspection and regulation	176,354	185,996	175,609	159,766	149,238
Education	6,084,342	6,242,173	5,984,196	5,304,555	4,853,458
Protection and safety	1,514,282	1,510,615	1,401,513	1,279,129	1,171,340
Transportation (3)	695,070	670,173	583,304	386,777	589,966
Natural resources	228,430	250,258	193,862	187,947	184,538
Intergovernmental revenue sharing	2,755,710	3,023,836	2,864,543	2,658,636	2,335,828
Interest on long-term debt	222,851	179,795	191,674	172,439	182,852
Total Governmental Activities Expenses	<u>24,660,963</u>	<u>23,929,525</u>	<u>21,987,059</u>	<u>19,988,524</u>	<u>18,607,878</u>
Business-type Activities:					
Universities	3,290,033	3,227,481	2,960,790	2,762,557	2,540,193
Unemployment Compensation	1,086,330	356,333	248,111	226,171	292,127
Industrial Commission Special Fund (4)	30,055	14,824	23,669	(18,300)	106,295
Lottery	395,950	372,740	363,508	377,104	317,226
Other	142,229	162,300	176,486	136,894	120,629
Total Business-type Activities Expenses	<u>4,944,597</u>	<u>4,133,678</u>	<u>3,772,564</u>	<u>3,484,426</u>	<u>3,376,470</u>
Total Primary Government Expenses	<u>\$ 29,605,560</u>	<u>\$ 28,063,203</u>	<u>\$ 25,759,623</u>	<u>\$ 23,472,950</u>	<u>\$ 21,984,348</u>
PROGRAM REVENUES					
Governmental Activities:					
Charges for services:					
General government	\$ 199,011	\$ 190,374	\$ 200,495	\$ 161,664	\$ 139,486
Inspection and regulation	153,642	159,857	158,022	146,191	133,073
Transportation (5)	138,520	149,560	158,019	134,068	88,296
Other activities	315,660	318,776	281,796	279,836	256,804
Operating grants and contributions (6)	10,620,642	9,190,910	8,536,030	7,941,223	7,544,370
Capital grants and contributions	553,198	523,898	354,255	388,646	497,140
Total Governmental Activities Program Revenues	<u>11,980,673</u>	<u>10,533,375</u>	<u>9,688,617</u>	<u>9,051,628</u>	<u>8,659,169</u>
Business-type Activities:					
Charges for services:					
Universities	1,272,694	1,167,696	1,069,339	962,967	863,042
Lottery	484,486	472,937	462,200	468,697	397,561
Other activities (7)	439,010	485,242	518,922	474,801	440,646
Operating grants and contributions (8)	1,243,697	898,441	883,373	852,788	834,421
Capital grants and contributions	14,710	38,029	27,981	30,056	19,774
Total Business-type Activities Program Revenues	<u>3,454,597</u>	<u>3,062,345</u>	<u>2,961,815</u>	<u>2,789,309</u>	<u>2,555,444</u>
Total Primary Government Program Revenues	<u>\$ 15,435,270</u>	<u>\$ 13,595,720</u>	<u>\$ 12,650,432</u>	<u>\$ 11,840,937</u>	<u>\$ 11,214,613</u>
NET (EXPENSE) REVENUE					
Governmental activities	\$ (12,680,290)	\$ (13,396,150)	\$ (12,298,442)	\$ (10,936,896)	\$ (9,948,709)
Business-type activities	(1,490,000)	(1,071,333)	(810,749)	(695,117)	(821,026)
Total Primary Government Net (Expense)	<u>\$ (14,170,290)</u>	<u>\$ (14,467,483)</u>	<u>\$ (13,109,191)</u>	<u>\$ (11,632,013)</u>	<u>\$ (10,769,735)</u>

Fiscal Year		
2004, as restated	2003, as restated	2002, as restated (2)
\$ 726,525	\$ 694,173	\$ 852,417
7,717,148	6,848,087	5,960,399
138,281	141,673	135,784
4,703,685	4,795,566	4,277,635
1,059,047	982,839	931,292
731,522	598,375	411,108
162,366	175,312	152,772
2,144,438	2,159,691	2,190,160
176,035	135,775	131,206
<u>17,559,047</u>	<u>16,531,491</u>	<u>15,042,773</u>
2,355,418	2,181,311	2,039,832
397,657	455,685	406,406
167,331	73,586	57,503
303,996	263,321	239,648
109,944	107,740	95,164
<u>3,334,346</u>	<u>3,081,643</u>	<u>2,838,553</u>
<u>\$ 20,893,393</u>	<u>\$ 19,613,134</u>	<u>\$ 17,881,326</u>
\$ 140,791	\$ 106,876	\$ 120,514
133,510	120,045	117,606
114,097	112,466	112,725
248,446	192,332	230,409
6,981,748	5,940,007	4,996,539
421,251	460,364	471,020
<u>8,039,843</u>	<u>6,932,090</u>	<u>6,048,813</u>
778,047	675,089	639,050
366,582	322,267	294,848
305,221	259,676	254,984
836,076	810,549	737,170
18,513	23,090	48,180
<u>2,304,439</u>	<u>2,090,671</u>	<u>1,974,232</u>
<u>\$ 10,344,282</u>	<u>\$ 9,022,761</u>	<u>\$ 8,023,045</u>
\$ (9,519,204)	\$ (9,599,401)	\$ (8,993,960)
(1,029,907)	(990,972)	(864,321)
<u>\$ (10,549,111)</u>	<u>\$ (10,590,373)</u>	<u>\$ (9,858,281)</u>

(Continued)

STATE OF ARIZONA
SCHEDULE 2
CHANGES IN NET ASSETS (1)
FOR THE LAST EIGHT FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	Fiscal Year				
	2009	2008	2007, as restated	2006, as restated	2005
GENERAL REVENUES AND OTHER					
CHANGES IN NET ASSETS					
Governmental Activities:					
Taxes:					
Sales	\$ 5,442,563	\$ 6,270,419	\$ 6,537,584	\$ 6,322,311	\$ 5,421,949
Income	3,126,076	4,205,426	4,636,447	4,548,843	3,562,916
Tobacco (9)	370,073	413,333	358,205	248,122	237,430
Property	32,564	36,732	43,736	43,035	46,148
Motor vehicle and fuel (5)	1,643,276	1,800,920	1,826,893	1,857,293	1,758,950
Other (9)	574,030	559,440	529,629	575,946	493,501
Unrestricted investment earnings (10)	92,957	243,160	243,328	172,311	106,362
Unrestricted grants and contributions	12,440	13,574	11,711	12,293	11,624
Miscellaneous general revenues (6)	222,712	214,751	212,253	235,610	387,269
Gain (loss) on sale of trust land	(165,696)	196,953	451,501	567,364	288,483
Transfers	(983,006)	(994,435)	(876,456)	(774,492)	(707,597)
Total Governmental Activities	10,367,989	12,960,273	13,974,831	13,808,636	11,607,035
Business-type Activities:					
Sales taxes	58,528	72,945	79,223	54,550	57,584
Unrestricted investment earnings	22,450	39,763	103,362	49,050	40,311
Unrestricted grants and contributions (8)	-	-	-	-	5
Miscellaneous general revenues (7)	45,786	64,564	77,841	58,816	26,017
Contributions to permanent endowments	4,014	3,927	4,815	3,803	2,955
Special items	7,240	(20,100)	-	(7,874)	-
Extraordinary items	2,720	15,475	-	-	-
Transfers	983,006	994,435	876,456	774,492	707,597
Total Business-type Activities	1,123,744	1,171,009	1,141,697	932,837	834,469
Total Primary Government	\$ 11,491,733	\$ 14,131,282	\$ 15,116,528	\$ 14,741,473	\$ 12,441,504
CHANGE IN NET ASSETS					
Governmental activities (8)	\$ (2,312,301)	\$ (435,877)	\$ 1,676,389	\$ 2,871,740	\$ 1,658,326
Business-type activities	(366,256)	99,676	330,948	237,720	13,443
Total Primary Government	\$ (2,678,557)	\$ (336,201)	\$ 2,007,337	\$ 3,109,460	\$ 1,671,769

- (1) This schedule reports using the accrual basis of accounting.
- (2) The State implemented GASB Statement 34 in fiscal year 2002. Therefore, ten years of data is not available, but will be accumulated over time.
- (3) For fiscal year 2006, net assets for governmental activities were increased by the capitalization of \$302,375 of capital assets that were previously recorded as transportation expenses.
- (4) The Industrial Commission Special Fund's cost of sales and benefits expense decreased \$125,828 during fiscal year 2006, primarily due to a decrease in insolvent carrier liabilities. During fiscal years 2005 and 2004, insolvent carrier liability increased, primarily as the result of \$67,423 and \$107,600, respectively, in Arizona workers' compensation claims from the defunct California domiciled Fremont Companies.
- (5) \$31,804 of transportation's charges for services for fiscal year 2005 were classified as motor vehicle and fuel tax revenues.
- (6) Beginning in fiscal year 2004, operating grants and contributions included Indian gaming revenue and tobacco settlement revenue. For fiscal year 2004, gaming revenue was \$57,517 and this was the first year that gaming revenue was earned, as a result of Proposition 202. For fiscal year 2004, tobacco settlement revenue was \$91,601. Prior to fiscal year 2004, tobacco settlement revenue was included in miscellaneous general revenues.
- (7) Beginning in fiscal year 2005, settlement income for the Industrial Commission Special Fund is classified as a program revenue, charges for services. Prior to this, it was classified as a miscellaneous general revenue. In fiscal year 2005, settlement income was \$41,554.
- (8) In fiscal year 2002, private gifts not restricted for capital purposes of \$83,100 for the Universities were classified as general revenues. In future fiscal years, these gifts are classified as program revenues.
- (9) Prior to fiscal year 2004, tobacco tax revenue was included in other tax revenue.
- (10) Fiscal year 2007 unrestricted investment earnings were reduced by \$17,771 due to reclassifying the Greater Arizona Development Authority from the primary government to a component unit.

Fiscal Year		
2004, as restated	2003, as restated	2002, as restated (2)
\$ 5,016,585	\$ 4,551,804	\$ 4,450,691
2,800,461	2,371,005	2,442,320
223,804	-	-
50,455	37,470	49,611
1,613,952	1,563,876	1,493,259
539,218	632,896	544,514
24,227	77,914	116,614
8,502	7,222	8,518
281,109	319,873	186,917
319,517	137,563	137,565
(678,726)	(665,004)	(709,916)
<u>10,199,104</u>	<u>9,034,619</u>	<u>8,720,093</u>
50,050	43,450	41,367
38,753	32,527	29,327
-	3	83,108
46,615	26,985	12,447
2,231	3,037	2,723
(6,880)	-	-
-	-	-
678,726	665,004	709,916
<u>809,495</u>	<u>771,006</u>	<u>878,888</u>
<u>\$ 11,008,599</u>	<u>\$ 9,805,625</u>	<u>\$ 9,598,981</u>
\$ 679,900	\$ (564,782)	\$ (273,867)
(220,412)	(219,966)	14,567
<u>\$ 459,488</u>	<u>\$ (784,748)</u>	<u>\$ (259,300)</u>

STATE OF ARIZONA
SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST EIGHT FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	Fiscal Year				
	2009	2008	2007, as restated	2006	2005
GENERAL FUND:					
Reserved for:					
Budget stabilization fund	\$ 2,767	\$ 147,212	\$ 673,531	\$ 651,020	\$ 160,873
School facilities improvements	376,993	1,914	4,931	110,149	107,260
Continuing appropriations	43,091	103,320	162,657	69,861	55,727
Other fund balance reservations	252	262	272	302	374
Unreserved	(1,401,381)	108,914	1,081,708	1,434,806	986,168
Total General Fund	<u>\$ (978,278)</u>	<u>\$ 361,622</u>	<u>\$ 1,923,099</u>	<u>\$ 2,266,138</u>	<u>\$ 1,310,402</u>
ALL OTHER GOVERNMENTAL FUNDS:					
Reserved for:					
Highway construction	\$ 1,304,781	\$ 1,253,202	\$ 976,488	\$ 426,015	\$ 419,072
Other construction	108,129	238,985	5,288	6,256	7,307
School facilities improvements	-	-	-	-	5,386
Permanent funds	2,196,040	2,544,365	2,454,564	2,043,591	1,716,404
Continuing appropriations	212,553	143,785	94,602	118,671	120,752
Debt service	27,115	35,236	34,421	37,792	21,992
Other fund balance reservations	7,447	27,132	17,702	5,145	25,375
Unreserved, reported in:					
Special revenue funds	767,258	919,679	793,890	657,371	574,938
Capital projects funds	-	-	-	-	-
Total All Other Governmental Funds:	<u>\$ 4,623,323</u>	<u>\$ 5,162,384</u>	<u>\$ 4,376,955</u>	<u>\$ 3,294,841</u>	<u>\$ 2,891,226</u>

(1) This schedule reports using the modified accrual basis of accounting.

(2) Due to changes in the State's fund structure initiated when GASB Statement 34 was implemented, the fund balance information is available only beginning in fiscal year 2002.

Fiscal Year		
2004	2003	2002, as restated (2)
\$ 13,545	\$ 13,737	\$ 67,700
96,714	101,944	-
74,973	87,131	105,816
377	598	611
561,029	343,012	574,146
<u>\$ 746,638</u>	<u>\$ 546,422</u>	<u>\$ 748,273</u>
\$ 321,401	\$ 342,324	\$ 277,321
41,165	33,477	53,088
17,808	33,893	262,654
1,361,366	1,123,523	1,082,018
114,948	90,238	103,312
27,693	23,273	61,123
25,138	38,945	38,382
463,738	444,301	634,710
-	-	29,661
<u>\$ 2,373,257</u>	<u>\$ 2,129,974</u>	<u>\$ 2,542,269</u>

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST EIGHT FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	Fiscal Year				
	2009	2008	2007, as restated	2006	2005
REVENUES					
Taxes:					
Sales	\$ 5,429,453	\$ 6,278,181	\$ 6,527,968	\$ 6,313,090	\$ 5,410,383
Income	3,137,794	4,174,966	4,629,220	4,535,492	3,528,565
Tobacco (3)	370,073	413,333	358,205	248,122	237,430
Property	32,564	36,732	43,736	43,035	46,148
Motor vehicle and fuel	1,672,151	1,802,572	1,828,701	1,857,293	1,758,950
Other (3)	574,030	559,440	529,629	575,946	493,501
Intergovernmental	11,316,023	9,499,419	8,313,720	8,019,509	7,714,012
Licenses, fees, and permits	410,002	447,090	442,236	410,069	335,760
Earnings (loss) on investments (4,8)	(318,321)	135,879	510,253	247,250	190,499
Sales and charges for services	154,671	167,329	158,318	162,048	154,251
Fines, forfeitures, and penalties	203,337	167,309	183,923	138,354	121,123
Gaming (5)	84,140	94,004	94,771	84,794	67,658
Tobacco settlement (6)	125,571	115,587	90,258	86,231	93,933
Proceeds from sale of trust land (9)	143,674	-	-	-	-
Other (6)	253,868	263,443	264,440	269,411	430,097
Total Revenues	<u>23,589,030</u>	<u>24,155,284</u>	<u>23,975,378</u>	<u>22,990,644</u>	<u>20,582,310</u>
EXPENDITURES					
Current:					
General government	913,266	966,512	879,519	861,373	758,149
Health and welfare	11,959,640	10,874,581	9,679,226	8,995,430	8,419,913
Inspection and regulation	174,633	184,451	173,897	157,401	146,523
Education	6,031,605	6,240,862	5,983,513	5,302,942	4,852,099
Protection and safety	1,460,692	1,447,372	1,358,439	1,247,508	1,132,473
Transportation (7)	608,631	630,283	524,318	373,603	564,574
Natural resources	220,030	242,893	185,592	178,832	175,593
Intergovernmental revenue sharing	2,764,776	3,026,563	2,863,218	2,661,894	2,335,828
Debt service:					
Principal	235,971	261,228	220,473	261,277	381,512
Interest and other fiscal charges	238,430	210,856	195,317	176,933	200,731
Capital outlay (7)	1,295,530	1,106,951	992,000	1,066,815	710,688
Total Expenditures	<u>25,903,204</u>	<u>25,192,552</u>	<u>23,055,512</u>	<u>21,284,008</u>	<u>19,678,083</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,314,174)</u>	<u>(1,037,268)</u>	<u>919,866</u>	<u>1,706,636</u>	<u>904,227</u>

Fiscal Year		
2004	2003	2002, as restated (2)
\$ 4,985,424	\$ 4,555,389	\$ 4,424,528
2,818,778	2,387,369	2,410,342
223,804	-	-
50,455	37,470	49,611
1,613,952	1,563,876	1,493,259
539,218	632,896	543,055
7,159,976	6,141,218	5,182,770
349,938	320,564	330,041
131,715	111,771	136,761
161,170	111,438	157,912
120,032	96,192	98,791
57,517	-	-
92,550	-	-
-	-	-
313,220	337,930	324,433
<u>18,617,749</u>	<u>16,296,113</u>	<u>15,151,503</u>
718,229	689,603	511,167
7,733,516	6,652,661	5,788,774
136,189	139,863	133,584
4,702,609	4,882,516	4,188,501
1,028,134	925,667	892,986
717,463	463,756	401,372
153,533	163,946	140,600
2,144,438	2,159,691	2,190,211
327,595	297,508	270,912
188,247	140,613	125,594
695,289	1,041,038	1,127,411
<u>18,545,242</u>	<u>17,556,862</u>	<u>15,771,112</u>
<u>72,507</u>	<u>(1,260,749)</u>	<u>(619,609)</u>

(Continued)

STATE OF ARIZONA
SCHEDULE 4
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (1)
FOR THE LAST EIGHT FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

	Fiscal Year				
	2009	2008	2007, as restated	2006	2005
OTHER FINANCING SOURCES (USES)					
Transfers in	1,248,267	897,771	910,605	812,083	1,011,456
Transfers out	(2,168,964)	(1,874,084)	(1,784,833)	(1,585,754)	(1,714,562)
Proceeds from sale of trust land (9)	-	249,970	199,089	284,293	274,127
Proceeds from sale of capital assets	2,127	28,233	10,162	11,118	-
Capital lease and installment purchase contracts	4,056	23,556	132,985	3,543	5,350
Proceeds from notes and loans	23,139	19,529	-	-	-
Refunding bonds issued	-	82,880	-	596,160	224,283
Payment to refunded bond escrow agent	-	(86,547)	-	(646,689)	(247,417)
Bonds issued	621,050	563,950	325,000	118,250	210,577
Refunding grant anticipation notes issued	-	-	-	-	-
Grant anticipation notes issued	55,420	68,000	-	-	104,385
Refunding certificates of participation issued	-	-	-	-	334,225
Payment to refunded certificates of participation escrow agent	-	-	-	-	(363,052)
Certificates of participation issued	580,035	238,990	-	-	237,625
Premium on debt issued	70,083	48,972	26,201	59,711	100,509
Total Other Financing Sources (Uses)	<u>435,213</u>	<u>261,220</u>	<u>(180,791)</u>	<u>(347,285)</u>	<u>177,506</u>
NET CHANGE IN FUND BALANCES	<u>\$ (1,878,961)</u>	<u>\$ (776,048)</u>	<u>\$ 739,075</u>	<u>\$ 1,359,351</u>	<u>\$ 1,081,733</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	1.9%	2.0%	1.9%	2.2%	3.1%

- (1) This schedule reports using the modified accrual basis of accounting.
- (2) Due to changes in the State's fund structure initiated when GASB Statement 34 was implemented, the changes in fund balance information is available only beginning in fiscal year 2002.
- (3) Prior to fiscal year 2004, tobacco tax revenue was included in other tax revenue.
Increase from fiscal year 2006 to fiscal year 2007 primarily due to Proposition 203, implemented December, 2006.
- (4) Increase from fiscal year 2006 to fiscal year 2007 primarily due to increase in Land Endowment fair market value of investments, larger cash balances available to invest, and market interest rates.
- (5) Beginning in fiscal year 2004, Indian gaming revenue was earned as a result of Proposition 202.
- (6) Prior to fiscal year 2004, tobacco settlement revenue was included in other revenue.
- (7) For fiscal year 2006, transportation expenditures were reduced and capital outlay was increased by \$302,375 for addition of capital assets that were previously recorded as transportation expenditures.
- (8) In fiscal year 2008, the Greater Arizona Development Authority Fund was reclassified from a special revenue fund to a component unit. Fiscal year 2007 earnings on investments has been restated to reflect this change.
- (9) In fiscal year 2009, "Proceeds from sale of trust land" was moved from "Other financing sources (uses)" to "Revenues."

Fiscal Year		
2004	2003	2002, as restated (2)
940,050	1,053,862	848,252
(1,616,105)	(1,690,443)	(1,549,833)
149,001	88,066	51,265
-	-	-
24,349	101,473	4,167
-	-	-
107,940	90,530	74,250
(145,965)	(107,735)	(77,135)
389,746	662,975	148,350
22,633	-	-
177,322	-	-
16,725	75,295	71,051
(17,273)	(80,713)	(65,087)
273,735	372,730	68,203
48,834	80,563	14,816
<u>370,992</u>	<u>646,603</u>	<u>(411,701)</u>
<u>\$ 443,499</u>	<u>\$ (614,146)</u>	<u>\$ (1,031,310)</u>
2.9%	2.7%	2.7%

STATE OF ARIZONA
SCHEDULE 5
NET TAXABLE SALES BY CLASSIFICATION (1)
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

CLASSIFICATION (9)	Fiscal Year					
	2009	2008	2007	2006	2005	2004
Transporting (2)	\$ 37,920	\$ 48,713	\$ 43,351	\$ 59,801	\$ 53,371	\$ 67,486
Mining, oil and gas	175,743	216,675	255,531	321,538	317,202	287,787
Mining severance	729,482	1,752,522	1,743,361	1,219,984	656,631	261,623
Timber severance (3) (11)	-	-	-	-	-	-
Utilities	9,236,366	9,237,779	8,609,034	7,679,982	6,828,179	6,430,306
Communications	2,928,433	3,669,683	3,513,667	3,220,062	2,934,858	2,809,508
Private car and pipelines	7,743	16,021	19,679	25,751	14,832	15,920
Publishing	102,457	122,652	129,681	133,680	134,925	128,911
Job printing	307,581	391,038	397,802	403,686	367,010	348,924
Local advertising (4)	-	-	-	-	-	-
Restaurants and bars	9,094,485	9,663,959	9,619,785	8,933,459	7,939,964	7,202,034
Amusements	1,053,048	1,146,344	1,086,364	998,767	872,520	813,489
Commercial lease (5)	1	(443)	(2)	(120)	919	(6,518)
Personal property rentals	3,552,696	3,995,697	3,927,824	3,633,374	3,242,363	3,174,945
Contracting	14,882,706	20,156,299	22,415,051	20,487,917	16,044,847	13,156,490
Feed wholesale (6)	-	-	-	-	-	(8)
Retail	46,174,068	52,626,993	55,009,403	53,147,971	46,378,344	42,409,055
Hotel/motel	2,117,242	2,405,705	2,411,634	2,268,776	2,063,973	1,831,153
Rental occupancy tax (11)	(25)	(2,669)	1,065	3,471	2,414	4,202
Use tax	5,882,942	6,837,880	6,091,507	6,155,959	5,218,535	4,644,319
Use tax-utilities (10)	38,653	12,461	12,154	16,582	234	127
Membership camping (11)	11	52	12	2,785	2,897	2,998
Agriculture equipment (7)	-	-	-	-	-	-
Other	-	-	-	-	-	119
Total	\$ 96,321,552	\$ 112,297,361	\$ 115,286,903	\$ 108,713,425	\$ 93,074,018	\$ 83,582,870
Direct sales tax rate (8)	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%

- (1) Net taxable sales are based upon tax receipts.
(2) The transporting/towing and railroads/aircraft business classifications have been combined into one category and renamed "transporting."
(3) Effective July 13, 1995, the tax rate on timber severance was changed to a dollar amount per 1,000 board feet. Timber severance includes only sales subject to the repealed rate.
(4) Local advertising was phased out on January 1, 1986.
(5) Commercial lease rate dropped to 0% effective July 1, 1997.
(6) Feed wholesale dropped to 0% effective July 17, 1994 and was repealed effective October 1, 1994.
(7) Agriculture equipment was phased out on July 1, 1988 and is not a current business classification.
(8) A significant portion of the revenue base was subject to a sales tax rate of 5.6% for fiscal years 2002 thru 2009 and 5.0% for most of fiscal year 2001 (rate increased to 5.6% during fiscal year 2001 on June 1, 2001). For fiscal years 2000 thru 2009, the tax rate for non-metal mining, oil and gas was 3.125%, the mining severance was 2.5%, the hotel/motel tax was 5.5%, and the jet fuel and jet fuel use tax was \$.0305 per gallon. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with an affirmative vote of two-thirds of the members of each house.
(9) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.
(10) Use tax-utilities was not reported prior to fiscal year 2008. Fiscal years 2004-2008 were reported in fiscal year 2008. Information prior to 2004 is not available.
(11) Effective November 1, 2006, timbering severance, membership camping and rental occupancy were repealed.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2009 and prior.

Fiscal Year

2003	2002	2001	2000
\$ 26,106	\$ 96,356	\$ 138,656	\$ 89,506
268,073	208,310	224,834	193,934
45,049	(4,264)	168,695	481,583
-	766	-	-
5,940,826	5,919,273	5,814,282	5,268,208
2,869,499	2,945,681	2,870,089	2,453,094
12,493	7,134	15,486	5,612
133,229	82,843	124,462	112,358
427,730	351,142	402,934	418,678
-	-	-	27
6,655,028	6,428,712	6,300,820	5,976,371
782,670	743,800	760,838	758,823
(7,579)	36,913	182,691	659,199
3,319,778	3,607,519	3,658,549	3,412,996
11,563,726	11,820,597	11,250,538	10,847,157
(67)	(1,806)	(42)	382
39,408,769	38,432,860	38,282,337	36,403,862
1,698,499	1,659,761	1,871,009	1,818,474
1,428	5,968	4,897	3,734
3,793,691	3,240,460	3,922,953	3,514,613
-	-	-	-
2,406	2,741	2,420	1,411
-	2,107	1,213	-
-	-	-	-
<u>\$ 76,941,354</u>	<u>\$ 75,586,873</u>	<u>\$ 75,997,661</u>	<u>\$ 72,420,022</u>
5.60%	5.60%	5.00%	5.00%

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STATE OF ARIZONA
SCHEDULE 6
SALES TAX REVENUE PAYERS BY CLASSIFICATION
CURRENT YEAR AND NINE YEARS AGO
(Expressed in Thousands)

CLASSIFICATION	Fiscal Year 2009		Fiscal Year 2000	
	Tax	Percentage	Tax	Percentage
	Collections (4)	of Total	Collections (5)	of Total
Transporting (1)	\$ 1,894	0.04 %	\$ 2,831	0.08 %
Non-metal mining, oil and gas	5,488	0.10	6,060	0.17
Mining severance	18,210	0.34	12,040	0.33
Timbering severance - ponderosa (2)	-	-	8	-
Timbering severance - other (2)	-	-	4	-
Utilities	461,583	8.60	263,410	7.31
Communications	146,339	2.73	122,655	3.41
Railroads and aircraft (1)	-	-	1,644	0.05
Private car and pipelines	387	0.01	281	0.01
Publishing	5,119	0.10	5,618	0.16
Printing	15,370	0.29	20,934	0.58
Restaurants and bars	454,518	8.47	298,818	8.30
Amusements	52,627	0.98	37,941	1.05
Commercial lease (3)	-	-	14,529	0.40
Personal property rentals	177,547	3.31	170,650	4.74
Contracting	743,604	13.86	542,358	15.06
Feed wholesale (4)	-	-	2	-
Retail	2,307,440	42.98	1,820,193	50.53
Hotel/motel	116,404	2.17	100,016	2.78
Rental occupancy tax (2)	3	-	112	-
Use tax utilities	1,932	0.04	-	-
Use tax	292,698	5.46	175,731	4.88
License fees	470	0.01	471	0.01
Membership camping (2)	1	-	71	-
Jet fuel tax	4,041	0.08	5,197	0.14
Jet fuel use tax	680	0.01	836	0.02
Non sufficient funds	(4)	-	40	-
Telecommunications service assistance	(208)	-	(414)	(0.01)
Miscellaneous fees	-	-	3	-
Education tax (5)	558,900	10.42	-	-
Total (6)	\$ 5,365,043	100.00 %	\$ 3,602,039	100.00 %

- (1) Transporting/towing was combined with railroads/aircraft for confidentiality purposes beginning in fiscal year 2004.
- (2) Effective November 1, 2006 these rates were repealed.
- (3) Commercial lease rate dropped to 0% effective July 17, 1997.
- (4) Feed wholesale dropped to 0% effective July 17, 1994 and was repealed effective October 1, 1994.
- (5) The education tax is .6% of net taxable sales for most classifications. The ones that do not collect the education tax are nonmetal mining, oil and gas, mining and timbering severances, hotel/motel, rental occupancy, and jet fuel taxes. The Arizona Department of Revenue's annual report does not include the amount of education tax collected from each classification, rather it reports the total collected from all classifications. The education tax became effective June 1, 2001.
- (6) Does not reflect the balance of undistributed estimated payments at the end of fiscal year 2000.

Source: Arizona Department of Revenue Annual Reports for fiscal years 2009 and 2000.

STATE OF ARIZONA
SCHEDULE 7
PERSONAL INCOME BY INDUSTRY
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

CLASSIFICATION	Calendar Year Ended December 31					
	2008	2007	2006	2005	2004	2003
Farm earnings	\$ 618,927	\$ 804,272	\$ 692,283	\$ 966,562	\$ 1,005,583	\$ 731,608
Forestry and fishing	426,599	451,399	448,533	392,423	398,258	359,899
Mining	1,311,077	1,018,776	903,040	717,889	652,564	568,278
Utilities	1,505,190	1,435,839	1,330,098	1,181,096	1,077,131	1,043,710
Construction	12,525,217	14,820,092	15,438,164	13,453,380	11,524,499	10,379,641
Manufacturing	13,908,066	13,906,976	13,656,708	12,736,884	12,241,302	11,754,138
Wholesale trade	8,594,935	8,657,237	7,924,846	7,209,873	6,643,795	6,001,515
Retail trade	12,858,257	13,342,203	12,967,991	11,909,557	10,755,773	10,055,878
Transportation and warehousing	4,957,980	4,995,433	4,778,258	4,375,950	4,073,329	3,720,148
Information	3,158,796	3,182,305	3,144,112	2,977,675	3,035,060	2,982,886
Finance and insurance	10,150,600	10,653,097	10,547,147	9,680,158	8,358,294	7,848,643
Real estate, rental, and leasing	4,249,809	4,539,357	5,321,210	5,320,830	4,854,340	4,150,748
Professional and technical services	12,925,592	12,638,065	11,795,487	10,295,791	8,975,667	8,156,394
Managing companies/enterprises	2,436,698	2,381,522	2,016,086	1,694,602	1,908,177	1,598,978
Administrative and waste services	9,369,460	9,503,964	9,219,474	8,326,832	7,186,639	6,568,021
Educational services	2,041,812	1,848,662	1,711,762	1,572,715	1,439,838	1,165,114
Health care and social assistance	17,544,727	16,148,470	14,945,405	13,342,839	12,318,173	11,093,907
Arts, entertainment, and recreation	1,798,454	1,716,630	1,697,223	1,487,796	1,438,709	1,347,898
Accommodation and food services	5,978,310	5,997,127	5,507,255	5,162,857	4,750,837	4,328,034
Other services, except public administration	5,602,851	5,474,659	5,237,758	4,761,529	4,269,944	4,043,836
Government and government enterprises	27,852,678	26,531,365	24,771,576	23,099,159	21,470,055	20,037,866
Other (1)	63,368,416	58,591,817	52,902,967	47,487,066	41,649,041	37,669,435
Total	\$ 223,184,451	\$ 218,639,267	\$ 206,957,383	\$ 188,153,463	\$ 170,027,008	\$ 155,606,575
Average effective rate (2)	1.15%	1.56%	1.77%	1.94%	1.68%	1.49%

- (1) Includes dividends, interest, rental income, personal current transfer receipts, adjustment for residence, and deductions for government social insurance.
- (2) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.
- (3) Personal income estimates for years 1999 through 2007 were revised to reflect revisions made by the U.S. Bureau of Economic Analysis.

Source: U.S. Bureau of Economic Analysis and Arizona Department of Revenue Annual Report.

Calendar Year Ended December 31

	2002	2001	2000	1999
\$	763,907	\$ 746,773	\$ 807,189	\$ 849,474
	348,540	354,692	292,986	297,770
	562,242	629,836	655,056	735,026
	1,036,530	960,134	838,388	792,062
	10,159,027	9,762,082	9,250,550	7,952,333
	11,581,992	12,169,075	12,568,167	11,115,303
	5,900,156	5,915,014	5,660,202	5,077,959
	9,368,279	9,050,471	8,605,358	7,868,818
	3,520,402	3,488,777	3,314,360	3,094,923
	2,962,772	2,980,889	3,060,789	2,518,027
	7,240,812	6,988,682	6,288,781	5,533,649
	4,129,856	3,756,910	3,699,083	3,635,778
	8,039,619	8,068,423	7,427,982	6,432,677
	1,429,896	1,467,964	1,226,338	1,062,862
	6,203,543	6,204,100	5,762,071	4,917,738
	1,029,270	816,618	783,387	680,837
	10,050,149	9,206,683	8,535,472	7,855,630
	1,344,317	1,266,419	1,144,351	964,946
	4,129,811	4,050,905	3,869,720	3,598,166
	4,050,133	3,764,684	3,755,694	3,479,003
	18,617,360	17,271,055	15,906,869	14,887,176
	35,705,555	33,942,846	32,234,242	30,149,640
\$	148,174,168	\$ 142,863,032	\$ 135,687,035	\$ 123,499,797
	1.42%	1.46%	1.70%	1.86%

STATE OF ARIZONA
SCHEDULE 8
PERSONAL INCOME TAX RATES
FOR THE LAST TEN CALENDAR YEARS
(Expressed in Thousands)

	Calendar Year Ended December 31				
	2008	2007	2006	2005	2004
<u>AVERAGE EFFECTIVE RATE (3)</u>					
Personal Income Tax Revenue (1)	\$ 2,575,453	\$ 3,414,304	\$ 3,666,923	\$ 3,651,576	\$ 2,854,009
Personal Income (2)	\$ 223,184,451	\$ 218,639,267	\$ 206,957,383	\$ 188,153,463	\$ 170,027,008
Average Effective Rate (3)	1.15%	1.56%	1.77%	1.94%	1.68%
<u>TAX RATES ON THE PORTION OF TAXABLE INCOME IN RANGES (4)</u>					
\$0 - \$10	2.59%	2.59%	2.73%	2.87%	2.87%
\$10 - \$25	2.88%	2.88%	3.04%	3.20%	3.20%
\$25 - \$50	3.36%	3.36%	3.55%	3.74%	3.74%
\$50 - \$150	4.24%	4.24%	4.48%	4.72%	4.72%
\$150 and over	4.54%	4.54%	4.79%	5.04%	5.04%

- (1) Personal income tax revenue includes income tax collections and refunds, on a cash basis, for the fiscal year ending the following June 30.
- (2) Personal income is reported on a calendar basis. Years 1999 through 2007 have been revised to reflect revisions made by the U.S. Bureau of Economic Analysis.
- (3) The total direct rate for personal income is not available. Average effective rate equals tax collections for the fiscal year, ending the following June 30, divided by personal income.
- (4) Amounts shown are for single and married filing separate returns. For all other filing status returns, double the amounts for the income tax ranges. Per the Arizona Constitution, Article 9, Section 22, the Legislature can raise tax rates with a vote of two-thirds of the members of each house.

Source: Arizona Department of Revenue Tax Tables and the U.S. Bureau of Economic Analysis.

STATE OF ARIZONA
SCHEDULE 9
PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL
FOR THE TAXABLE YEARS 2006 AND 1999 (1)
(Expressed in Thousands, Except Number of Filers)

	Taxable Year Ended December 31, 2006			
	Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
<u>FEDERAL ADJUSTED GROSS INCOME LEVEL (3)</u>				
\$50 and under	1,756,430	67.56%	\$ 471,328	12.79%
\$50 - \$100	549,506	21.14%	716,077	19.42%
\$100 - \$500	275,381	10.59%	1,206,579	32.72%
\$500 and over	18,582	0.71%	1,293,229	35.07%
Total	2,599,899	100.00%	\$ 3,687,213	100.00%

- (1) The taxable year 2006 is the most recent year for which data is available, and combines the number of filers of the Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns.
- (2) Liability, as reported on Arizona Forms 140, 140A, 140NR (nonresident), and 140PY (part year resident) Individual Income tax returns for tax year 2006, filed from January 2007 forward (or 1999, filed from January 2000 forward).
- (3) The names of the ten largest revenue payers are not available. Therefore, the categories are intended to provide alternative information regarding the sources of the State's revenue.

Source: Arizona Department of Revenue Annual Reports.

Calendar Year Ended December 31

2003	2002	2001	2000	1999
\$ 2,316,040	\$ 2,104,362	\$ 2,090,646	\$ 2,303,888	\$ 2,291,883
\$ 155,606,575	\$ 148,174,168	\$ 142,863,032	\$ 135,687,035	\$ 123,499,797
1.49%	1.42%	1.46%	1.70%	1.86%
2.87%	2.87%	2.87%	2.87%	2.87%
3.20%	3.20%	3.20%	3.20%	3.20%
3.74%	3.74%	3.74%	3.74%	3.74%
4.72%	4.72%	4.72%	4.72%	4.72%
5.04%	5.04%	5.04%	5.04%	5.04%

Taxable Year Ended December 31, 1999

Number of Filers	Percentage of Total	Liability (2)	Percentage of Total
1,480,260	73.92%	\$ 441,905	20.70%
380,723	19.01%	545,689	25.56%
133,539	6.67%	641,556	30.05%
7,999	0.40%	505,804	23.69%
<u>2,002,521</u>	<u>100.00%</u>	<u>\$ 2,134,954</u>	<u>100.00%</u>

STATE OF ARIZONA
SCHEDULE 10
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands, Except Amount of Debt per Capita)

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
GOVERNMENTAL ACTIVITIES:						
Revenue bonds	\$ 3,251,580	\$ 2,759,070	\$ 2,328,840	\$ 2,106,700	\$ 2,170,845	\$ 2,278,225
Grant anticipation notes	329,650	298,280	282,860	325,430	363,970	308,585
Certificates of participation	1,649,870	1,135,640	959,865	1,020,810	1,054,677	845,804
Capital leases	236,125	249,876	242,209	129,808	126,676	125,974
Installment purchase contracts	6,343	8,908	10,644	6,815	6,926	4,602
Notes payable	42,668	22,838	3,309	-	-	562
Premiums and discounts on debt	285,613	242,816	225,071	219,958	197,479	144,759
Deferred amount on refundings (2)	(9,171)	(13,145)	(14,266)	(17,832)	-	-
Total Governmental Activities	<u>5,792,678</u>	<u>4,704,283</u>	<u>4,038,532</u>	<u>3,791,689</u>	<u>3,920,573</u>	<u>3,708,511</u>
BUSINESS-TYPE ACTIVITIES:						
Revenue bonds	1,239,675	902,255	868,565	802,600	768,000	756,781
Certificates of participation	872,829	903,843	935,127	946,766	860,759	641,315
Capital leases	175,453	179,052	166,780	113,388	120,361	80,338
Installment purchase contracts	16,418	13,024	9,544	10,279	7,276	5,038
Notes payable	674	1,022	1,354	-	30	80
Premiums and discounts on debt	43,112	38,211	39,582	38,331	36,133	28,184
Deferred amount on refundings (2)	(25,294)	(27,711)	(29,211)	(21,606)	(20,821)	(10,970)
Total Business-type Activities	<u>2,322,867</u>	<u>2,009,696</u>	<u>1,991,741</u>	<u>1,889,758</u>	<u>1,771,738</u>	<u>1,500,766</u>
Total Primary Government	<u>\$ 8,115,545</u>	<u>\$ 6,713,979</u>	<u>\$ 6,030,273</u>	<u>\$ 5,681,447</u>	<u>\$ 5,692,311</u>	<u>\$ 5,209,277</u>
Debt as a Percentage of						
Personal Income (3)	3.6%	3.1%	2.9%	3.0%	3.3%	3.3%
Amount of Debt per Capita (3)						
	\$ 1,249	\$ 1,057	\$ 976	\$ 953	\$ 990	\$ 933

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

- (1) The State of Arizona implemented GASB 34 in fiscal year 2002.
- (2) For fiscal years 2001 and prior, some or all of the premiums, discounts, or deferred amounts on refundings are combined in the respective revenue bond, grant anticipation note, or certificate of participation line items.
- (3) See Schedule 22 for personal income and population data. These ratios are calculated using personal income and population data for the calendar year that ends during that fiscal year. For example, fiscal year 2008 contains data for the calendar year ending December 31, 2007. Personal income amounts were revised by the U.S. Bureau of Economic Analysis for 2000-2008, which affected 2004-2008 debt ratios compared to the debt ratios reported in the fiscal year 2008 CAFR.

Fiscal Year

2003	2002, as restated (1)	2001, as restated (2)	2000 (2)
\$ 2,173,055	\$ 1,782,510	\$ 1,882,765	\$ 1,337,108
169,145	182,295	182,295	-
582,511	231,904	186,447	201,639
104,644	8,517	9,390	21,115
6,188	10,228	9,767	6,415
10,301	38,859	-	-
108,732	32,700	19,766	-
-	-	-	-
<u>3,154,576</u>	<u>2,287,013</u>	<u>2,290,430</u>	<u>1,566,277</u>
597,238	596,403	540,019	567,659
429,144	422,010	244,934	191,899
31,923	37,758	29,259	12,525
3,823	3,832	1,634	9,835
129	-	-	-
21,686	20,794	-	-
(11,305)	(8,999)	-	-
<u>1,072,638</u>	<u>1,071,798</u>	<u>815,846</u>	<u>781,918</u>
<u>\$ 4,227,214</u>	<u>\$ 3,358,811</u>	<u>\$ 3,106,276</u>	<u>\$ 2,348,195</u>
2.9%	2.4%	2.3%	1.9%
\$ 776	\$ 633	\$ 601	\$ 467

STATE OF ARIZONA
SCHEDULE 11
LEGAL DEBT MARGIN INFORMATION
ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

Fiscal Year	Total Principal Outstanding Debt Limit (1)			Highest Annual Principal and Interest Payment Debt Limit (1), (2)				
	Debt Limit	Total Principal Applicable to Limit	Legal Debt Margin	Total Principal Applicable to the Limit as a Percentage of Debt Limit	(3) Debt Limit	Highest Annual Principal and Interest Payment	Legal Debt Margin	Highest Annual Principal and Interest Payment as a Percentage of Debt Limit
2009	\$ -	\$ 1,740,765	\$ -	- %	\$ 169,728	\$ 155,774	\$ 13,954	91.78 %
2008	-	1,623,905	-	-	219,539	146,754	72,785	66.85
2007	-	1,490,600	-	-	317,570	137,149	180,421	43.19
2006	1,300,000	1,223,425	76,575	94.11	312,204	121,025	191,179	38.76
2005	1,300,000	1,161,355	138,645	89.34	230,882	115,633	115,249	50.08
2004	1,300,000	1,017,360	282,640	78.26	278,927	106,220	172,707	38.08
2003	1,300,000	932,700	367,300	71.75	270,270	99,923	170,347	36.97
2002	1,000,000	734,155	265,845	73.42	261,663	86,496	175,167	33.06
2001	800,000	700,280	99,720	87.54	256,945	82,712	174,233	32.19
2000	800,000	608,500	191,500	76.06	264,361	N/A	N/A	N/A

N/A = Not available

- (1) As stated in House Bill 2206 of the Second Regular Session of the Forty-seventh Legislature, the \$1.3 billion debt limit is eliminated from ARS §28-7510 and the amount that pledged monies are required to exceed the highest annual principal and interest payments is amended from two to three times. The general effective date of this change was September 21, 2006. Prior to September 21, 2006, Arizona Revised Statutes restricted the total principal amount of Arizona Highway Revenue Bonds that could be outstanding at any time, excluding refunded bonds, from exceeding \$1.3 billion. Also, the monies subjected to pledge for the preceding twelve months must have exceeded, by two times, the highest annual principal and interest payments on all of the outstanding Arizona Highway Revenue Bonds for the highest one year period during the life of the outstanding bonds.
- (2) For fiscal years 2000, information for calculating the legal debt margin information for the highest annual principal and interest payment limit is unavailable.
- (3) The Highest Annual Principal and Interest Payment debt limit is calculated by dividing pledged revenues for the Arizona Transportation Board Highway Revenue Bonds (see Schedule 15) by three for Fiscal year 2009 and 2008 or by two for Fiscal years 2007 and prior. Fiscal year 2005 pledged revenues are net of a \$118,000 distribution to the State General Fund.

STATE OF ARIZONA
SCHEDULE 12
LEGAL DEBT MARGIN INFORMATION
ARIZONA STATE UNIVERSITY
FOR THE LAST FOUR FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2009	\$ 1,865,385	\$ 149,231	\$ 97,000	\$ 52,231	5.20 %
2008	2,017,544	161,404	115,000	46,404	5.70 %
2007	1,880,769	150,462	97,800	52,662	5.20 %
2006	1,724,528	137,962	91,400	46,562	5.30 %

- (1) Ten years of data is not available, but will be accumulated over time.
- (2) For fiscal years 2006, 2007, 2008 and 2009, projections are based upon the University's fiscal years 2008-2010, 2009-2011, 2010-2012, and 2011-2013 capital improvement plans, respectively.
- (3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 13
LEGAL DEBT MARGIN INFORMATION
UNIVERSITY OF ARIZONA
FOR THE LAST THREE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2009	\$ 1,681,818	\$ 134,545	\$ 92,500	\$ 42,045	5.50 %
2008	1,681,132	134,491	89,100	45,391	5.30
2007	1,657,971	132,638	114,400	18,238	6.90

- (1) Ten years of data is not available, but will be accumulated over time.
- (2) For fiscal years 2007, 2008 and 2009, projections are based upon the University's fiscal years 2009-2011, 2010-2012 and 2011-2013 capital improvement plans, respectively.
- (3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA
SCHEDULE 14
LEGAL DEBT MARGIN INFORMATION
NORTHERN ARIZONA UNIVERSITY
FOR THE LAST THREE FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

Fiscal Year (2)	Projected Total Expenditures	Projected Debt Service Limit (8% of Expenditures) (3)	Amount of Projected Debt Service Applicable to Limit	Legal Debt Margin	Total Projected Debt Service as a Percentage of Debt Service Limit
2009	\$ 419,448	\$ 33,556	\$ 28,900	\$ 4,656	6.89 %
2008	430,360	34,429	27,500	6,929	6.39
2007	410,811	32,865	30,400	2,465	7.40

- (1) Ten years of data is not available, but will be accumulated over time.
- (2) For fiscal years 2007, 2008 and 2009, projections are based upon the University's fiscal years 2009-2011, 2010-2012 and 2011-2013 capital improvement plans, respectively.
- (3) Per ARS §15-1683, the projected debt service on bonds and certificates of participation outstanding and proposed to be issued, as shown in the University's most recent capital improvement plan reported to the Arizona Board of Regents, may not exceed, in any fiscal year shown in such capital improvement plan, more than eight percent of the University's total projected expenditures and mandatory transfers.

STATE OF ARIZONA

SCHEDULE 15

PLEDGED-REVENUE COVERAGE**ARIZONA TRANSPORTATION BOARD HIGHWAY REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2009

(Expressed in Thousands)

Fiscal Year	(1), (2) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2009	\$ 509,183	\$ 64,190	\$ 89,825	\$ 154,015	3.3
2008	658,616	60,645	75,538	136,183	4.8
2007	635,140	57,825	73,785	131,610	4.8
2006	624,408	54,830	62,222	117,052	5.3
2005	461,763	44,265	60,459	104,724	4.4
2004	557,854	51,155	53,149	104,304	5.3
2003	540,540	44,490	41,932	86,422	6.3
2002	523,326	45,365	38,534	83,899	6.2
2001	513,890	52,055	36,581	88,636	5.8
2000	528,721	46,270	33,994	80,264	6.6

(1) The Highway Revenue Bonds are secured by a prior lien on and pledge of motor vehicle and related fuel fees and taxes.

(2) Includes vehicle license tax revenues distributed directly to the State Highway Fund. Fiscal year 2005 is net of a \$118,000 distribution to the State General Fund. Fiscal year 2009 is net of \$66,000 distribution to the State General Fund.

STATE OF ARIZONA

SCHEDULE 16

PLEDGED-REVENUE COVERAGE**ARIZONA TRANSPORTATION BOARD TRANSPORTATION EXCISE TAX REVENUE BONDS**

FOR THE LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30, 2009

(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2009	\$ 219,165	\$ 13,825	\$ 17,193	\$ 31,018	7.1
2008	253,742	19,045	10,673	29,718	8.5
2007	262,264	-	-	-	N/A
2006	316,491	80,375	1,566	81,941	3.9
2005	316,806	208,625	14,318	222,943	1.4
2004	288,600	199,400	23,553	222,953	1.3
2003	268,721	190,415	31,533	221,948	1.2
2002	267,563	163,455	35,445	198,900	1.3
2001	264,722	156,865	40,035	196,900	1.3
2000	248,596	128,805	42,609	171,414	1.5

(1) The Bonds are secured by transportation excise taxes collected by the Arizona Department of Revenue on behalf of Maricopa County.

STATE OF ARIZONA

SCHEDULE 17

PLEDGED-REVENUE COVERAGE**SCHOOL FACILITIES BOARD STATE SCHOOL IMPROVEMENT REVENUE BONDS**

FOR THE LAST EIGHT FISCAL YEARS (1)

FISCAL YEAR ENDED JUNE 30, 2009

(Expressed in Thousands)

Fiscal Year	(2) Pledged Revenue	(3) Debt Service			Coverage
		Principal	Interest	Total	
2009	\$ 558,900	\$ 35,420	\$ 28,885	\$ 64,305	8.69
2008	645,828	33,810	30,498	64,308	10.04
2007	666,184	31,055	31,893	62,948	10.58
2006	628,471	34,480	30,052	64,532	9.74
2005	538,346	28,485	36,060	64,545	8.34
2004	487,215	27,215	37,568	64,783	7.52
2003	447,841	25,010	36,901	61,911	7.23
2002	439,005	43,035	26,962	69,997	6.27

(1) No debt service payments were due prior to fiscal year 2002.

(2) Pledged revenues consist of education transaction privilege tax revenues. These revenues result from a .6% increase in the State transaction privilege and use tax rate that was approved by a statewide vote at the November 2000 election.

(3) Principal does not include sinking fund deposits of \$1,270 each year, beginning in fiscal year 2003 and ending in fiscal year 2007, that will be sufficient to retire bonds with a par amount of \$6,350 upon maturity, in fiscal year 2016.

STATE OF ARIZONA

SCHEDULE 18

PLEDGED-REVENUE COVERAGE**SCHOOL FACILITIES BOARD STATE SCHOOL TRUST REVENUE BONDS**

FOR THE LAST SIX FISCAL YEARS (1)

FISCAL YEAR ENDED JUNE 30, 2009

(Expressed in Thousands)

Fiscal Year	(2) Pledged Revenue	(3) Debt Service			Coverage
		Principal	Interest	Total	
2009	\$ 72,263	\$ 15,105	\$ 9,143	\$ 24,248	2.98
2008	72,263	14,470	8,400	22,870	3.16
2007	72,263	13,980	11,524	25,504	2.83
2006	72,263	13,440	12,061	25,501	2.83
2005	72,263	13,740	11,960	25,700	2.81
2004	64,903	-	8,634	8,634	7.52

(1) No debt service payments were due prior to fiscal year 2004.

(2) Pledged revenues consist of expendable revenue from the State School Trust. This revenue includes the State Treasurer's formula distribution of earnings on permanent fund investments as specified in the Arizona Constitution. Additionally, the State Land Commissioner distributes interest received from financed sales of trust lands and revenue received from land trust leases, except that, under current statutes, the amount of State School Trust Revenues available to pay debt service on all State School Trust Revenue Obligations shall not exceed \$72,263.

(3) Principal does not include sinking fund deposits of \$1,538 each year, beginning in fiscal year 2006 and ending in fiscal year 2018, that will be sufficient to retire bonds with a par amount of \$20,000 upon maturity, in fiscal year 2018.

STATE OF ARIZONA
SCHEDULE 19
PLEDGED-REVENUE COVERAGE
ARIZONA STATE UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

Fiscal Year	(1) Pledged Revenue	Debt Service					Coverage
		Principal		Interest		Net Payments	
		Principal	Interest	(Receipts) On Swap Agreements	Total		
2009	\$ 638,707	\$ 19,135	\$ 16,682	\$ 2,448	\$ 38,265	16.69	
2008	580,102	17,125	21,339	186	38,650	15.01	
2007	505,890	14,625	17,313	-	31,938	15.84	
2006	458,177	11,205	16,307	-	27,512	16.65	
2005	383,756	1,340	16,260	-	17,600	21.80	
2004	325,626	-	13,754	-	13,754	23.68	
2003	297,691	9,695	9,575	-	19,270	15.45	
2002	274,596	9,785	12,139	-	21,924	12.52	
2001	261,328	8,995	11,766	-	20,761	12.59	
2000	242,764	9,640	12,245	-	21,885	11.09	

(1) Pledged revenues include student tuition and fees, auxiliary enterprises revenue, investment income, and indirect cost recovery revenue.

(2) Pledged revenues prior to payment date of 2004 have been restated to include West and Polytechnic campuses.

STATE OF ARIZONA
SCHEDULE 20
PLEDGED-REVENUE COVERAGE
UNIVERSITY OF ARIZONA REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

Fiscal Year	(1)		Net Revenue Available for Debt Service	Debt Service			Coverage
	(1), (2)	Direct		Principal	Interest	Total	
	Gross Revenues	Operating Expenses					
2009	\$ 1,044,354	\$ 911,440	\$ 132,914	\$ 22,725	\$ 15,437	\$ 38,162	3.48
2008	1,113,954	1,005,572	108,382	21,235	14,978	36,213	2.99
2007	982,559	899,084	83,475	17,440	14,166	31,606	2.64
2006	897,706	836,657	61,049	12,355	13,433	25,788	2.37
2005	830,077	774,014	56,063	11,815	11,817	23,632	2.37
2004	778,939	727,161	51,778	10,970	11,706	22,676	2.28
2003	726,258	667,627	58,631	12,625	12,156	24,781	2.37
2002	670,326	625,664	44,662	9,946	15,500	25,446	1.76
2001	710,423	663,284	47,139	12,415	16,359	28,774	1.64
2000	674,330	625,318	49,012	11,700	13,081	24,781	1.98

(1) Gross Revenues and Direct Operating Expenses only include current operating unrestricted funds since these are the funds that are pledged for debt service payments under the System Revenue Bond Indentures. Also excluded from expenses is interest, depreciation, and amortization. Fiscal year 2002 Gross Revenues and Direct Operating Expenses include accounting changes applied to scholarship and allowance due to implementation of GASB Statements 34 and 35.

(2) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income.

STATE OF ARIZONA
SCHEDULE 21
PLEDGED-REVENUE COVERAGE
NORTHERN ARIZONA UNIVERSITY REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDED JUNE 30, 2009
(Expressed in Thousands)

Fiscal Year	(1)		Debt Service			Coverage
	Gross Revenues	Principal	Interest	Total		
2009	\$ 164,877	\$ 6,570	\$ 7,383	\$ 13,953	11.82	
2008	143,733	10,455	6,628	17,083	8.41	
2007	136,100	9,610	5,943	15,553	8.75	
2006	129,608	10,310	6,603	16,913	7.66	
2005	110,981	10,065	6,060	16,125	6.88	
2004	103,192	10,294	5,778	16,072	6.42	
2003	85,294	9,426	5,066	14,492	5.89	
2002	82,839	6,932	3,949	10,881	7.61	
2001	78,907	6,214	5,246	11,460	6.89	
2000	75,852	6,119	5,488	11,607	6.54	

(1) Payment of principal and interest on revenue bonds are secured by a pledge of student tuition and fees and certain auxiliary enterprise revenue, investment income and indirect cost recovery revenue.

STATE OF ARIZONA
 SCHEDULE 22
DEMOGRAPHIC AND ECONOMIC STATISTICS
 FOR THE LAST TEN CALENDAR YEARS

Calendar Year Ended December 31	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (3)	Unemployment Rate (4)
2008	6,500,180	\$ 223,184,451	\$ 34,335	5.5
2007	6,353,421	218,639,267	32,833	3.8
2006	6,178,251	206,957,383	32,285	4.1
2005	5,961,239	188,153,463	30,620	4.6
2004	5,750,475	170,027,008	28,680	5.0
2003	5,585,512	155,606,575	26,959	5.7
2002	5,449,195	148,174,168	26,454	6.0
2001	5,303,632	142,863,032	26,181	4.7
2000	5,166,810	135,687,035	25,656	4.0
1999	5,023,823	123,499,797	24,057	4.5

- (1) These are midyear population estimates of the U.S. Bureau of the Census.
 (2) Personal income estimates for years 1999 through 2007 were revised to reflect revisions made by the U.S. Bureau of the Census.
 (3) Per capita personal income is total personal income divided by total midyear population estimates of the U.S. Bureau of the Census. Years 1999 through 2007 have been revised to reflect revisions in personal income and population estimates.
 (4) The unemployment rate for the year 1999 was revised.

Sources: U.S. Bureau of Economic Analysis (for population, personal income, and per capita personal income figures).
 U.S. Bureau of the Census (also for population).
 Arizona Department of Transportation CAFR 2009

STATE OF ARIZONA
 SCHEDULE 23
PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

Employer	Calendar Year Ended December 31, 2008			Calendar Year Ended December 31, 1999		
	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment	Full-Time Equivalent Employees	Rank	Percentage of Total State Employment
State of Arizona	50,936	1	1.72 %	59,348	1	2.44 %
Wal-Mart Stores Inc.	32,814	2	1.11	13,800	6	0.57
Banner Health (1)	23,100	3	0.78	13,973	4	0.58
City of Phoenix	17,068	4	0.58	12,917	7	0.53
Maricopa County	14,014	5	0.47	13,860	5	0.57
Wells Fargo & Co.	14,000	6	0.47	-		
Arizona State University	13,005	7	0.44	-		
Honeywell Aerospace	12,600	8	0.43	17,500	2	0.72
Raytheon Missile Systems	11,539	9	0.39	9,700	10	0.40
University of Arizona	10,575	10	0.36			
U.S. Postal Service	10,545	10	0.36	9,756	9	0.40
Motorola	-		-	15,500	3	0.64
The Kroger Co.	-		-	9,837	8	0.40
Total	210,196		7.11 %	176,191		7.25 %

(1) Formerly known as Samaritan Health Systems.

Source: Arizona Department of Transportation CAFR 2009

STATE OF ARIZONA
SCHEDULE 24
STATE EMPLOYEES BY FUNCTION (1)
FOR THE LAST SIX FISCAL YEARS (2)
FISCAL YEAR ENDED JUNE 30, 2009

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
FULL-TIME EQUIVALENT EMPLOYEES						
General government:						
Lottery	110.0	110.0	110.0	110.0	110.0	110.0
Arizona State Retirement System	236.0	235.0	231.0	221.0	199.0	197.0
Department of Revenue	1,164.0	1,164.0	1,148.0	1,146.0	1,024.0	1,134.0
All other	2,989.2	2,999.2	2,957.5	2,898.6	2,944.3	3,003.0
Health and welfare:						
Department of Economic Security	4,201.0	4,099.2	3,874.4	3,953.7	3,902.7	3,592.9
Arizona Health Care Cost Containment System	1,635.8	1,629.0	1,617.3	1,583.5	1,574.5	1,530.1
Department of Health Services	1,699.1	1,702.1	1,680.4	1,735.5	1,734.5	1,701.5
All other	981.5	981.5	859.9	858.5	924.2	933.2
Inspection and regulation	1,943.1	1,930.1	1,853.7	1,827.3	1,818.5	1,815.3
Education:						
Universities	17,353.5	17,138.8	16,975.0	16,419.5	16,027.5	15,467.4
All other	1,003.4	1,001.4	969.0	913.8	949.5	948.1
Protection and safety:						
Department of Corrections	9,932.5	9,755.9	9,726.9	9,726.9	10,322.4	10,295.4
Department of Juvenile Corrections	1,163.7	1,163.7	1,195.7	1,160.5	1,151.5	1,214.4
Department of Public Safety	2,114.8	2,108.8	2,065.8	1,901.8	1,872.0	1,853.0
All other	134.9	133.9	125.4	127.4	120.6	149.6
Department of Transportation	4,748.0	4,744.0	4,703.5	4,649.0	4,626.0	4,605.0
Natural resources	1,009.7	1,007.7	967.3	926.9	903.2	856.9
Total	52,420.2	51,904.3	51,060.8	50,159.9	50,204.4	49,406.8

- (1) Full-time equivalent employees are categorized by the function of government that their respective agency generally serves. Information is not available to distinguish between governmental, business-type, or fiduciary activities.
- (2) Ten years of data is not available, but will be accumulated over time.

Source: The Executive Budget (Detail).

STATE OF ARIZONA
SCHEDULE 25
OPERATING INDICATORS BY FUNCTION
FOR THE LAST TEN FISCAL YEARS (1)
FISCAL YEAR ENDED JUNE 30, 2009

FUNCTIONS/PROGRAMS	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
General government:							
Number of tax returns received (in millions)	5.7	5.6	5.5	5.5	6.0	6.0	5.3
Health and welfare:							
Arizona Health Care Cost Containment System membership (2)	1,282,910	1,136,585	1,075,125	1,065,444	1,075,873	971,292	955,600
Average monthly number of recipients of temporary assistance for needy families	83,969	80,221	82,408	93,553	105,517	122,577	121,193
Average monthly number of persons receiving food stamp benefits	779,089	600,549	537,072	546,424	546,369	521,992	442,320
Inspection and regulation:							
Nonfatal occupational injuries and illnesses:							
Total recordable cases (in thousands) (3)	84.0	101.8	99.4	97.0	87.1	85.7	95.9
Incident rate per 100 full-time workers (3)	3.9	4.6	4.6	4.9	4.7	4.8	5.1
Education:							
Public school enrollment, grades K-12 (4)	1,062,618	1,132,963	1,106,207	1,084,247	1,043,704	1,002,630	970,283
Protection and safety:							
Number of miles patrolled by the Highway Patrol	N/A	21,410,696	20,282,212	19,703,282	19,922,704	19,229,079	18,363,977
State prison adult inmate population (5)	39,628	38,897	37,088	34,864	32,710	31,937	30,898
Transportation:							
Number of registered vehicles (6)	6,692,834	6,733,610	6,608,726	6,318,402	5,945,131	5,638,799	5,311,590
Number of driver licenses issued (7)	1,246,358	1,200,227	1,266,973	1,205,068	1,158,223	1,122,893	1,039,780
Natural resources:							
Game and Fish Department's license and tag sales (8)	874,363	896,143	940,223	897,159	808,055	835,669	865,634
Universities:							
University full-time equivalent students (9)	118,743	113,092	110,580	107,765	104,685	102,461	100,258
Unemployment compensation:							
Number of initial unemployment claims filed	396,755	226,772	185,397	161,869	200,282	227,585	255,579
Industrial Commission special fund:							
No-insurance awards issued	2,244	2,748	3,265	2,744	3,281	3,300	2,954
Number of vocational rehabilitation awards issued	103	118	133	124	102	139	150
Lottery:							
Total lottery sales (in millions)	\$ 484.5	\$ 472.9	\$ 462.2	\$ 468.7	\$ 397.6	\$ 366.6	\$ 322.3
Other business-type activities:							
Arizona Health Care Cost Containment System's Healthcare Group membership (10)	14,560	21,646	26,914	21,600	14,626	11,218	11,400

N/A = Not available

- (1) Ten years of data may not be available for some statistics, but will be accumulated over time. Also, some figures may represent time periods other than a fiscal year (such as an academic or calendar year), as indicated in the notes below.
- (2) Approximate number of members enrolled as of June 1. Excludes membership in the Healthcare Group, which is listed separately as other business-type activities, beginning in fiscal year 2002. In November 2000, Arizona voters approved Proposition 204, the Healthy Arizona Initiative, which expanded eligibility to 100% of the federal poverty level. This added 142,800 members and accounted for 28.5% of the overall growth since March 1, 2001.
- (3) Numbers represent total recordable cases and incident rates for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2008 contains data for the calendar year ending December 31, 2007. One hundred full-time workers represent 200,000 hours worked (100 times 40 hours per week times 50 weeks per year).
- (4) These enrollment counts represent a head count of all active enrollments on October 1st of each school year. The fiscal years above contain data for the academic year that occurs during that fiscal year. For example, fiscal year 2009 contains data from the October 1, 2008 enrollment figures. Starting with the 2008-09 school year, due to federal requirements, new business rules were used to calculate enrollment so that counts are unduplicated. Prior to this, the counts were not unduplicated counts; concurrently enrolled students were counted as having an active membership in each school. Also, there was a change in data collection in 2003. From 2003 to 2008, concurrent enrollments in technology schools were included, which may have additionally overstated aggregated enrollment figures.
- (5) Beginning in 2007, the state prison inmate population on the 2 Year Prison Population Trend Report excludes the inmate count from the county jail. For fiscal years 2006 and prior, the number includes both the county jail and the outside count of inmates.
- (6) Count represents the total number of vehicles registered as of the end of the fiscal year. Starting with fiscal year 2002, a new category for "unassigned vehicles" was added to more fully reflect the total count of all registered vehicles.
- (7) Count represents the number of driver licenses issued during that fiscal year, beginning July 1 and ending June 30.
- (8) Numbers represent sales for licenses, stamps, and tags for the calendar year ended December 31. The fiscal years above contain data for the calendar year that ends during that fiscal year. For example, fiscal year 2008 contains data for the calendar year ending December 31, 2007.
- (9) Enrollment figures represent the number of full-time equivalent students for the fall semester. The fiscal years above contain data for the fall semester that occurs during that fiscal year. For example, fiscal year 2008 contains data for the fall 2007 semester. These figures are generated by calculating one full-time equivalent student for each 15 student credit hours produced in lower-division undergraduate courses, each 12 student credit hours produced in upper-division undergraduate courses, and each 10 student credit hours produced in graduate courses.
- (10) Approximate number of members enrolled as of June 1.

Sources: The State Departments of Transportation, Public Safety, Corrections, Education, Game and Fish, Economic Security, Revenue, the Industrial Commission of Arizona, Arizona Lottery, Arizona Health Care Cost Containment System, Arizona Board of Regents, and the U.S. Department of Labor.

Fiscal Year			
2002	2001	2000	1999
6.3	N/A	N/A	N/A
791,000	609,000	N/A	N/A
109,547	93,857	89,770	95,556
355,722	277,192	257,989	260,736
113.1	112.8	111.8	111.4
5.9	6.0	6.1	6.2
915,656	878,987	866,626	833,301
18,160,134	N/A	N/A	N/A
29,273	27,451	26,402	26,169
5,118,115	4,639,405	4,407,098	4,159,576
1,072,245	973,476	967,086	1,293,425
898,453	986,691	918,038	N/A
96,603	92,725	92,211	91,163
255,303	187,697	155,675	161,006
3,986	N/A	N/A	N/A
121	N/A	N/A	N/A
\$ 294.8	\$ 272.7	\$ 255.6	\$ 268.3
12,100	N/A	N/A	N/A

STATE OF ARIZONA
 SCHEDULE 26
CAPITAL ASSET STATISTICS BY FUNCTION
 FOR THE LAST TEN FISCAL YEARS (1)
 FISCAL YEAR ENDED JUNE 30, 2009

<u>FUNCTIONS/PROGRAMS</u>	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Protection and safety:							
Number of adult prison facilities (3)	10	10	10	10	10	10	10
Transportation:							
Public road mileage (center lane miles) (2)	6,753	6,785	6,817	6,922	6,816	6,912	6,801
Number of bridges (2)	4,648	4,637	4,648	4,676	4,608	4,488	4,463
Natural resources:							
State Trust acres	9,259,296	9,260,253	9,262,781	9,267,377	9,269,723	9,271,580	9,279,243
Universities:							
Number of facilities (4)	1,670	1,669	1,663	1,002	N/A	N/A	N/A
Gross square feet (in thousands) (4)	37,186	36,000	34,946	20,154	N/A	N/A	N/A

N/A = Not available

Note: No capital asset indicators are available for the general government, health and welfare, inspection and regulation, education, unemployment compensation, Industrial Commission special fund, Lottery, and other business-type activity functions.

- (1) Ten years of data may not be available for some statistics, but will be accumulated over time. Also, some figures may represent time periods other than a fiscal year (such as a calendar year), as indicated in the notes below.
- (2) These are the number of center lane miles and bridges that the Arizona Department of Transportation accounts for under the modified approach, which is discussed in the Required Supplementary Information portion of this report.
- (3) The Arizona Department of Corrections also contracts with private prison facilities to provide custody and treatment.
- (4) In addition to academic/support facilities, auxiliary enterprise facilities are also reported. These would include essentially self-supporting entities, such as residence halls and parking structures.

Sources: The State Departments of Transportation, Land, and Corrections and the Universities.

Fiscal Year		
2002	2001	2000
10	10	10
6,650	N/A	N/A
4,378	N/A	N/A
9,266,158	9,271,921	9,273,846
N/A	N/A	N/A
N/A	N/A	N/A

ACKNOWLEDGMENTS

The Comprehensive Annual Financial Report was prepared by the Department of Administration, Financial Services Division, Financial Reporting Section:

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